中国泰凌医药集团
CHINA NT PHARMA GROUP

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

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	3	**207,092**	226,699
Cost of sales		**(81,806)**	(81,240)
Gross profit		**125,286**	145,459
Other income and gains	4	**7,589**	76,941
Other losses	5	**(6,676)**	(56,764)
Share of results of associates		**9,003**	34,490
Impairment loss of property, plant and equipment		**(78)**	–
Impairment loss of assets held for sales		**–**	(14,476)
Provision for allowance for expected credit loss on trade receivables, net		**(251)**	(9,739)
Provision for allowance for expected credit loss on other receivables, net		**(11,318)**	(5,807)
Fair value change on financial liabilities at fair value through profit or loss		**–**	465
Selling and distribution expenses		**(46,239)**	(149,863)
General and administrative expenses		**(59,878)**	(80,731)
Finance costs	6	**(71,734)**	(88,727)
Loss before income tax	7	**(54,296)**	(148,752)
Income tax expense	8	**(12,109)**	(2,582)
Loss for the year		**(66,405)**	(151,334)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(24,895)**	5,573
Items that will not be reclassified to profit or loss:			
Revaluation surplus on leasehold land and buildings, net of tax		**60,413**	7,248
Reserve released on leasehold land and buildings classified as held for sale, net of tax		**–**	(45,368)
Other comprehensive income/(loss) for the year, net of income tax		**35,518**	(32,547)
Total comprehensive loss for the year		**(30,887)**	(183,881)

	Note	**2022**	2021
		RMB'000	*RMB'000*
Loss for the year attributable to:			
– The owners of the Company		**(66,405)**	(149,538)
– Non-controlling interest		**–**	(1,796)
		(66,405)	(151,334)
Total comprehensive loss for the year attributable to:			
– The owners of the Company		**(30,887)**	(182,085)
– Non-controlling interest		**–**	(1,796)
		(30,887)	(183,881)
Loss per share attributable to the owners of the Company			
Basic and diluted *(in RMB cents)*	9	**(3.50)**	(7.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**379,719**	222,367
Interests in leasehold land held for own use		**115,998**	25,998
Intangible assets		**158,985**	160,835
Goodwill		**–**	–
Interests in associates		**277,013**	277,936
Financial asset at fair value through profit or loss		**569**	521
		932,284	687,657
Current assets			
Inventories		**10,318**	32,005
Trade and other receivables	10	**57,185**	46,255
Cash and bank balances	11	**5,931**	9,443
		73,434	87,703
Assets classified as held for sale/assets of a disposal group classified as held for sale		**–**	180,000
		73,434	267,703
Current liabilities			
Trade and other payables	12	**311,800**	249,665
Contract liabilities		**4,798**	6,097
Contingent consideration payable		**2,054**	7,800
Lease liabilities		**946**	1,605
Bank and other borrowings	13	**825,045**	616,825
Tax payable		**25,050**	13,981
		1,169,693	895,973

	Note	2022 RMB'000	2021 RMB'000
Net current liabilities		**(1,096,259)**	(628,270)
Total assets less current liabilities		**(163,975)**	59,387
Non-current liabilities			
Lease liabilities		**463**	390
Bank and other borrowings	13	**–**	213,290
Deferred tax liabilities		**77,220**	57,082
		77,683	270,762
NET LIABILITIES		**(241,658)**	(211,375)
EQUITY			
Share capital		**1**	1
Reserves		**(241,659)**	(211,376)
Total capital deficits		**(241,658)**	(211,375)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

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 registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is 28th Floor, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 April 2011.

The Company is an investment holding company while its principal subsidiaries (together with the Company, collectively referred to as the "**Group**") are principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products and the provision of marketing and promotion services to suppliers in the People's Republic of China (the "**PRC**").

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Going concern basis

The Group incurred a net loss of approximately RMB66,405,000 for the year ended 31 December 2022, and as at that date, the Group had net current liabilities and net liabilities of approximately RMB1,096,259,000 and RMB241,658,000, respectively. The Group's total borrowings amounted to approximately RMB825,045,000, of which approximately RMB460,317,000, RMB82,693,000 and RMB282,035,000 were overdue for repayment, repayable on demand and would be due for repayment within next twelve months from 31 December 2022, respectively; while the Group's total cash and bank balances amounted to approximately RMB5,931,000, of which approximately RMB4,015,000 were restricted cash at bank as at 31 December 2022.

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

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

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

(ii) The Group has accelerated its disposal plan of its properties, plant and equipment and leasehold land to reduce its debts;

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

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

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management of the Company for a period covered not less than twelve months from date of approval for the consolidated financial statements. The directors of the Company are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis for the year ended 31 December 2022.

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

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

(ii) Successful negotiations with financial institutions and other lenders for the renewal of or extension for repayment of outstanding borrowings, including those that are overdue as at the date of approval of these consolidated financial statements and those that will fall due before 31 December 2023;

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

(iv) Successful obtaining new sources of financing to repay such borrowings upon the due date; and

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

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(c) Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interests in associates.

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

– Leasehold land and buildings;

– Financial assets at fair value through profit or loss ("**FVTPL**"); and

– Contingent consideration payable.

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 have significant effect on the financial statements.

(d) Adoption of amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2022, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Use Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group has adopted the Amendments to AG5 (Revised) – Merger Accounting for Common Control Combination.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(e) New and amendments to HKFRSs that issued but not yet effective for the year ended 31 December 2022

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION AND REVENUE

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker ("**CODM**"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The CODM reviews the financial performance of the Group as a whole, which generated revenue solely from the production and sales of the Group's branded products and generic drugs through the subsidiaries of the Company. The financial performance of the Group, determined in accordance with the Group's accounting policies, is reviewed by the CODM for performance assessment purposes. The Group's operations are regarded as one operating and reportable segment, which is proprietary products production and sales. Therefore, no segment information is presented other than below:

During the years ended 31 December 2022 and 2021, the Group generated revenue primarily from the sale of several branded products, comprising for: Shusi, Zhuo'ao and others. The following table sets out the breakdown of the revenue recognised on a point in time by product category:

	2022	2021
	RMB'000	*RMB'000*
Sales of proprietary pharmaceutical products:		
Shusi	**179,811**	190,431
Zhuo'ao	**5,494**	16,388
Others	**21,787**	19,880
	207,092	226,699

Geographical information

The Group's revenue from external customers was derived solely from its operations in the PRC, while the Group's non-current assets (excluding interests in associates and financial asset at FVTPL) is presented based on the location of assets as follows:

	2022	2021
	RMB'000	*RMB'000*
At 31 December		
Non-current assets		
The PRC	**652,020**	406,943
Hong Kong	**2,682**	2,257
	654,702	409,200

Information about major customer

Revenue from customer, which individually contributed over 10% of the total revenue of the Group during the year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**22,786**	93,109

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of proprietary pharmaceutical products	**207,092**	226,699

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

4. OTHER INCOME AND GAINS

	2022	2021
	RMB'000	*RMB'000*
Bank interest income	**24**	239
COVID-19-related rent concessions received	**–**	44
Exchange gain, net	**–**	6,656
Fair value gain on contingent consideration payable	**5,746**	–
Gain on disposal of a subsidiary	**–**	45,073
Gain on disposal of leasehold land and buildings	**–**	12,734
Gain on early termination of lease	**9**	357
Government grants and subsidies	**131**	2,130
Referral fee income	**1,208**	–
Reversal of impairment loss on Value-Added Tax ("**VAT**")	**–**	8,474
Sundry income	**471**	1,112
Reversal of over-accrued expenses in previous years	**–**	122
	7,589	76,941

5. OTHER LOSSES

	2022	2021
	RMB'000	*RMB'000*
Cost of litigation settlement	**–**	9,484
Fair value loss on contingent consideration payable	**–**	7,800
Loss on disposal of other property, plant and equipment, net	**–**	2,296
Loss on partial disposal of equity interest in an associate	**626**	6,043
Provision for legal claims	**3,560**	8,984
Provision for legal claims from an associate	**2,490**	22,157
	6,676	56,764

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**71,134**	85,930
Interest on convertible bond	**424**	2,239
Interest on lease liabilities	**176**	558
	71,734	88,727

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2022	2021
	RMB'000	*RMB'000*
Depreciation on right-of-use assets	**3,489**	5,619
Depreciation on property, plant and equipment	**15,611**	34,658
Amortisation of intangible assets	**1,970**	1,972
Employee benefit expenses (including directors' remuneration):		
– Salaries, wages and other benefits	**21,232**	28,121
– Contributions to defined contribution retirement plans	**3,377**	4,015
– Equity-settled share-based payment expenses	**604**	84
Minimum lease payments under operating leases	**46**	483
Auditor's remuneration		
– audit services	**1,380**	1,409
– non-audit services	**26**	–
Write-down of inventories included in general and administrative expenses	**1,680**	470
Cost of inventories	**63,254**	61,192
Promotional fees included in selling and distribution expenses	**40,646**	141,477
Impairment loss on prepayments included in general and administrative expenses	**5,106**	–
Research and development costs included in general and administrative expenses	**3,762**	5,959

8. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax		
– The PRC Corporate Income Tax		
– Provision for the year	**11,579**	2,095
– Under-provision in respect of prior years	**530**	487
	12,109	2,582

9. LOSS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(66,405)**	(149,538)

Weighted average number of ordinary shares

	2022	2021
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares in issue	**1,904,636**	1,904,636
Effect of shares repurchased, granted and held under share award scheme	**(5,486)**	(15,023)
Weighted average number for the purposes of basic loss per share	**1,899,150**	1,889,613

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options and convertible bond (2021: outstanding share options or conversion of outstanding redeemable convertible preference shares and convertible bond 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 year ended 31 December 2022.

10. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**42,120**	648,525
Less: Allowance for expected credit loss ("**ECL**") on trade and bills receivables *(note (b))*	**(8,454)**	(636,073)
Trade and bills receivables, net *(note (a))*	**33,666**	12,452
Deposits, prepayments and other receivables *(note (c))*	**23,519**	33,803
	57,185	46,255

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 and bills receivables, net of ECL allowances, based on the invoice dates, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**21,180**	12,109
More than 3 months but within 6 months	**11,367**	166
More than 6 months but within 1 year	**577**	177
Over 1 year	**542**	–
	33,666	12,452

The Group's trading terms with its customers are mainly on credit, the credit period granted is based on the historical trading and payment records of each customer, generally not more than six months (2021: not more than six months).

Ageing analysis of trade and bills receivables, net of ECL allowances, based on the past due dates, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Neither past due nor impaired	**9,483**	11,617
Within 3 months past due	**14,743**	492
More than 3 months but within 6 months past due	**8,321**	166
More than 6 months but within 1 year past due	**577**	177
Over 1 year past due	**542**	–
	33,666	12,452

As at 31 December 2022, bank acceptance bills received amounting to approximately RMB8,729,000 (2021: RMB467,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bank acceptance bills received by the Group are with a maturity period of less than six months.

(b) Allowance for ECL on trade receivables

The movements in allowances for ECL on trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**636,073**	626,138
Allowances for ECL recognised to the consolidated profit or loss	**251**	9,739
Amounts written-off as uncollectible *(note)*	**(627,870)**	–
Exchange realignment	**–**	196
At 31 December	**8,454**	636,073

Note: The management of the Company considered the balances of approximately RMB627,870,000 (2021: Nil) were long aged over 10 years which became irrecoverable, the balances have been written-off during the year ended 31 December 2022 accordingly.

Impairment losses on trade debtors were recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against the trade debtors directly.

Due to the slow-down of the economy, deleveraging and the government regulations on the medicine industry in the PRC, the Group experience defaults in payments by its customers. Allowance for ECL on trade receivables of approximately RMB251,000 (2021: RMB9,739,000) was recognised during the year ended 31 December 2022.

At 31 December 2022, trade receivables of approximately RMB210,000 (2021: RMB232,000), net of ECL allowances were pledged to secure for the Group's borrowings (note 13).

(c) Deposits, prepayments and other receivables

	2022	2021
	RMB'000	*RMB'000*
Consideration receivable	**7,000**	7,000
VAT recoverable, net of write-off	**5,449**	5,539
Other receivables, net of ECL	**8,332**	8,984
Prepayments	**2,216**	11,066
Advances paid to suppliers	**210**	148
Rental and other deposits	**312**	1,066
	23,519	33,803

11. CASH AND BANK BALANCES

	2022	2021
	RMB'000	*RMB'000*
Cash at banks and in hand	**1,916**	4,364
Restricted cash at banks *(Note)*	**4,015**	5,079
	5,931	9,443

Note: At 31 December 2022, certain bank balances amounted to approximately RMB4,015,000 (2021: RMB5,079,000) were frozen by court under lawsuits.

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**37,742**	44,630
Accrued staff costs	**1,838**	2,691
Accrued promotional expenses	**37,714**	22,434
Other tax payable	**7,196**	6,785
Interest payables *(note (b))*	**121,123**	63,824
Provision for legal claims	**37,011**	33,451
Provision for legal claims from an associate	**66,221**	68,231
Other payables and accruals *(note (c))*	**2,955**	7,619
	311,800	249,665

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

Notes:

(a) Ageing analysis of trade payables based on the invoice dates is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,723**	9,932
More than 3 months but within 6 months	**19**	1,279
More than 6 months but within 1 year	**2,831**	138
More than 1 year	**33,169**	33,281
	37,742	44,630

(b) Included in interest payables approximately RMB30,890,000 (2021: RMB181,000) in relation to the bank and other borrowings was overdue as at 31 December 2022.

(c) As 31 December 2022, other payables and accruals included deposits received from its distributors to maintain business relationship with the Group and accrued operation expenses such as consultation fees amounting to approximately RMB2,102,000 and RMB582,000 (2021: RMB1,980,000 and RMB2,390,000), respectively.

13. BANK AND OTHER BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Current		
Secured bank borrowings	**348,073**	369,448
Secured other borrowings	**139,983**	107,578
Unsecured other borrowings		
– Other borrowings	**295,520**	119,120
– Corporate bonds	**41,469**	10,362
– Convertible bonds	**–**	10,317
	825,045	616,825
Non-current		
Secured other borrowings	**–**	7,500
Unsecured other borrowings		
– Other borrowings	**–**	191,012
– Corporate bonds	**–**	14,778
	–	213,290
Carrying amount payable:		
– Within one year	**825,045**	616,825
– Over one year but within two years	**–**	213,290
Total bank and other borrowings	**825,045**	830,115
Less: Current portion of borrowings due for repayment within one year	**(825,045)**	(476,377)
Less: Current portion of borrowings subject to repayment on demand clause	**–**	(140,448)
Non-current borrowings	**–**	213,290

14. DIVIDENDS

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

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 its subsidiaries. The Group owns several sales and distribution and R&D specialists. It also has an extensive sales network in the People's Republic of China ("**China**" or the "**PRC**").

In the year of 2022, 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 for the year ended 31 December 2022 (the "**Year under Review**") decreased by RMB19.6 million to RMB207.1 million, as compared with RMB226.7 million for the corresponding period in 2021. Operating loss of RMB54.3 million was generated for the year ended 31 December 2022, as compared with an operating loss of RMB148.8 million for the corresponding period in 2021. The Group recorded a loss of RMB66.4 million for the year ended 31 December 2022, as compared with a loss of RMB151.3 million for the corresponding period in 2021, representing a decrease of 56.1% year on year.

BUSINESS REVIEW

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group's results. The Group's business is currently composed of one major operating segment, i.e. manufacturing and sales of proprietary products.

The Group's proprietary products include Shusi, Zhuo'ao and other drugs. For the year ended 31 December 2022, the total revenue from manufacturing and sales of proprietary products decreased by RMB19.6 million or 8.6% to RMB207.1 million, as compared with RMB226.7 million for the corresponding period in 2021. The decrease in sales was mainly due to the relocation of production line of Zhuo'ao in July 2022.

OUTLOOK

A positive sign to the economy in China after the release of COVID-19 epidemic would be a great moment since late of December 2022 and the early of 2023. The Chinese government has introduced strong fiscal and monetary policies to support businesses, stimulate domestic demand, promote export and maintain employment after the tough period of COVID-19 epidemic.

Restructuring and Transformation

Founded in 1995, China NT Pharma Group Company Limited (referred to as "**NT Group**") has established long-term cooperative relationships with multinational pharmaceutical companies such as Pfizer and GSK. NT Group has been the largest fully integrated supply chain and promotion and sales services provider for vaccines as well as the second largest third-party promotion and sales services provider for pharmaceutical products in China.

Mainly operating as a vaccine service provider in the first ten years, the Company distribute 19 vaccines manufactured by global and domestic vaccine manufacturers, including six of the 15 best-selling vaccines in China. With advanced temperature-controlled cold chain infrastructure, know-how and broad supply chain network coverage, NT Group has 23.4% market share in the PRC Type II Vaccine distribution market, directly covering approximately 79% of the centers for disease control and prevention ("**CDC**") and 72% of the urban points of vaccination ("**POV**") in China. In the following ten years, with the government's regulation and adjustment of the Type II Vaccine industry, the Company transformed into a comprehensive pharmaceutical enterprise focusing on drug research and development, production, and sales integration. In order to leverage its resource and management advantages,

NT Group decided to sell its generic drug business in the past few years. Specifically, the Company is selling its generic drug factories and land resources through various forms to reduce debt and achieve light asset operation. The Suzhou and Taizhou factories are currently undergoing restructuring for disposal, enabling the Company to refocus on its pharmaceutical service supply platform.

According to the "Outline of the Healthy China 2030 Plan" promulgated by the State Council of China, "Family Doctor Contracted Services" has become a national strategic goal. In recent years, the State Council has successively issued a series of policy guidance documents to promote the implementation of such strategic goal. In March 2022, six national ministries jointly issued the "Guiding Opinions on Promoting High-Quality Development of Family Doctor Contracted Services", proposing a milestone goal of "reaching a 75% contract rate of family doctor service across the country by 2035", which will cover over 1.57 million family doctor teams and more than 1 billion contracted residents, providing a huge development opportunity and potential for family doctor services.

NT Group was previously the largest vaccine supply and sales service provider in China, serving over 20,000 grassroots medical institutions and possessing rich experience in grassroots pharmaceutical promotion, excellent grassroots management teams, and resources. With the national promotion of family doctor development, the Company will seize the opportunity and, starting from 2023, shift its main business focus from the pharmaceutical sector to becoming a "smart family medical and pharmaceutical market demand service provider" by concentrating on the Company's core capabilities and resources.

The Company will build itself into an integrated platform enterprise that covers the supply of family drugs and health products, as well as health screening services, with a focus on smart family medicine. By participating in the National Health Commission's cooperation program for family doctors, the Company will build a digital smart family medical service network. The platform currently intends to acquire (including self-owned channels) and act as an agent to supply and sell more family medical products.

The Company has reached preliminary acquisition intentions with healthcare products potential target companies and is in talks with multiple pharmaceutical companies for drug supply cooperation. This will be the core business of the Group after restructuring. The Company's previously invested joint venture, namely Kangchen Biological and the innovative drug (namely 奥替單體) will continue to operate as investment assets.

After the restructuring in 2023, NT Group will see the changes in its revenue core, significant improvements in its operating indicators and asset structure.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December			
	2022		2021	
	Sales amount	**Proportion**	Sales amount	Proportion
	RMB'000	***(%)***	*RMB'000*	*(%)*
Proprietary products production and sales				
Shusi	**179,811**	**86.8%**	190,431	84.0%
Zhuo'ao	**5,494**	**2.7%**	16,388	7.2%
Others	**21,787**	**10.5%**	19,880	8.8%
Total	**207,092**	**100%**	226,699	100%

Revenue from sales of proprietary products decreased by RMB19.6 million to RMB207.1 million, accounting for 100% of the total revenue in the Year under Review, as compared with RMB226.7 million or 100% of the Group's revenue in the corresponding period in 2021. The decrease in revenue from manufacturing and sales of proprietary products was due to the relocation of production line of Zhuo'ao in July 2022.

Cost of Sales

For the year ended 31 December 2022, cost of sales increased by RMB0.6 million to RMB81.8 million, as compared with RMB81.2 million for the corresponding period in 2021.

Gross Profit

Products	For the year ended 31 December			
	2022		2021	
	Gross Profit *RMB'000*	**Gross Profit Margin** *(%)*	Gross Profit *RMB'000*	Gross Profit Margin *(%)*
Proprietary products production and sales				
Shusi	**123,981**	**69.0%**	135,686	71.3%
Zhuo'ao	**22**	**0.4%**	8,105	49.5%
Others	**1,283**	**5.9%**	1,668	8.4%
Total	**125,286**	**60.5%**	145,459	64.2%

Gross profit decreased by RMB20.2 million to RMB125.3 million for the year ended 31 December 2022, as compared with RMB145.5 million in the corresponding period in 2021. Gross profit margin decreased by 3.7 percentage points to 60.5% for the year ended 31 December 2022, as compared with 64.2% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the decrease in sales contribution of products with higher gross profit margin such as Shusi as a result of the change in sales model and business partner which resulted in a decrease of revenue of the relevant products with higher gross profit.

Finance Costs

The Group's finance costs consist of interest on bank and other borrowings and bank charges. Finance costs decrease by RMB17.0 million or 19.2% to RMB71.7 million for the year ended 31 December 2022, as compared with RMB88.7 million for the corresponding period in 2021. The decrease in finance costs was mainly due to decrease of average borrowing rate in the outstanding of interest-bearing borrowing for the Year under Review as compared with the corresponding period in 2021.

Taxation

Income tax expense was RMB12.1 million for the year ended 31 December 2022 as compared with of RMB2.6 million for the corresponding period in 2021.

Loss Attributable to the Owners of the Company

Loss attributable to the owners of the Company for the year ended 31 December 2022 was RMB66.4 million as compared with the loss attributable to the owners of the Company of RMB151.3 million for the corresponding period in 2021. Both the basic and diluted loss per share for the year ended 31 December 2022 were RMB3.5 cents as compared with RMB7.91 cents for the year ended 31 December 2021.

Capital Expenditure

Total capital expenditure spent for the year ended 31 December 2022 increased by RMB3.9 million to RMB4.5 million, as compared with RMB0.6 million for the corresponding period in 2021, 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 has no exchange gain for the year ended 31 December 2022, while the net exchange gain of the Group for the corresponding period in 2021 was RMB6.7 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

Interest Rate Exposure

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

Group Debt and Liquidity

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total debt	**826,454**	832,110
Less: cash and bank balances	**(5,931)**	(9,443)
Net debt	**820,523**	822,667

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Repayable:		
– Within one year	**825,045**	616,825
– After one but within two years	**–**	213,290
	825,045	830,115

The Group's bank borrowings as at 31 December 2022 were approximately RMB348.1 million (2021: RMB369.4 million), and all are from banks in the PRC with fixed interest rate at 4.50% (2021: 4.50%) per annum.

As at 31 December 2022, all bank borrowings (2021: RMB188.1 million) were overdue and charge at fixed default of 6.53% (2021: 6.53%) per annum in accordance with the corresponding back facilities.

Save as disclosed above, as at 31 December 2022, the Group had other borrowings of RMB477.0 million (2021: RMB460.7 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	
	2022	2021
	RMB'000	*RMB'000*
Total debt	**826,454**	832,110
Total assets	**1,005,718**	955,360
Debt-to-assets ratio	**82.2%**	87.1%

Charges on the Group's Assets

As at 31 December 2022, secured bank borrowings comprised of three (2021: three) borrowing with carrying amounts of RMB119,000,000, RMB69,073,000 and RMB160,000,000 (2021: RMB119,000,000, RMB90,448,000 and RMB160,000,000) from a bank in the PRC, which were secured by leasehold land and building with carrying amount of approximately RMB249,000,000 (2021: RMB244,233,000) as at 31 December 2022 and were guaranteed by an executive director of the Company, Mr. Ng Tit.

Capital Commitments

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for		
– investment in associates	**20,000**	20,000

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

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

Significant Investments Held

Except for investments in its subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2022.

Material Acquisition and Disposal

During the year ended 31 December 2022, the Group disposed of 1% equity interest in Beijing Kangchen Biological Technology Co., Limited ("**Beijing Kangchen**") to an independent third party at a consideration of RMB9,000,000. A loss on partially disposal of equity interest in Beijing Kangchen of approximately RMB626,000 was recognised in consolidated profit or loss for the year ended 31 December 2022. As at 31 December 2022, the Group has held 25.3% equity interest of Beijing Kangchen.

As at 31 December 2022 and 2021, the directors of the Company considered that the Group can exercise significant influence over the operating and financial activities of Beijing Kangchen, and accordingly, Beijing Kangchen is regarded as an associate using the equity accounting method.

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

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 The Stock Exchange of Hong Kong Limited news website.

Contingent Liabilities

(a) On 5 January 2021, a customer of the Group as the plaintiff, filed a legal proceeding against certain wholly-owned subsidiaries as defendants in 北京市東城區人民法院 (the "**Court**") in respect of overdue promotional service charges of approximately RMB24,455,000, and a related expense of approximately RMB12,000.

    On 9 September 2021, the Court ordered the defendants to repay the overdue promotional service charges and the related expense, totaling approximately RMB24,467,000 as well as the related legal costs and accrued interests thereon, which the interest rate in accordance with tripled of the loan prime rate issued by National Interbank Loans Center.

The amounts had not been settled as at 31 December 2022 and 2021. Accordingly, a further provision for accrued interest of approximately RMB3,560,000 (2021: RMB8,984,000) was recognised in consolidated profit or loss. As at 31 December 2022, the relevant provision for legal claim of approximately RMB37,011,000 (2021: RMB33,451,000) was under trade and other payables.

(b) On 24 August 2021, a writ of summons was issued by an associate of the Group, Taizhou Medical City Yingtai Pharmaceutical Co., Ltd., as plaintiff, against a wholly-owned subsidiary of the Group, NT (Beijing) Pharma Technology Development Co., Ltd. (泰淩(北京)醫藥科技開發有限公司), NT Biopharmaceutical Jiangsu Co., Ltd. (泰淩生物製藥江蘇有限公司) ("**NT Biopharmaceuticals Jiangsu**") and Suzhou Diyi Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司) ("**Suzhou First Pharma**"), 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 defendants are required to pay a sum of approximately RMB63,700,000 plus related costs of approximately RMB4,531,000. Accordingly, a provision for legal claims from an associate amounting to approximately RMB22,157,000 was recognised in consolidated profit or loss for the year ended 31 December 2021 and the aggregate provision for legal claims from the associate amounted to approximately RMB68,231,000 as at 31 December 2021.

On 22 February 2022, 江蘇省泰州市中級人民法院 held a mediation and the plaintiff and the defendants, both parties agreed that the defendants would repay the amount of approximately RMB68,231,000, while the plaintiff has rights to charge interest in accordance with the loan prime rate (one year) issued by National Interbank Loans Center until the amount is fully repaid by the defendant.

As at 31 December 2022, the Group has not made any repayment to the plaintiff and a further provision of approximately RMB2,490,000 (2021: RMB8,984,000) was recognised in consolidated profit or loss regarding the interest on the unpaid sum expense for the year ended 31 December 2022.

As at 31 December 2022, the relevant provision of legal claims amounted to approximately RMB70,722,000 (2021: RMB68,231,000) and was included in trade and other payables.

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against certain wholly-owned subsidiaries, Suzhou First Pharma, 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 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 the defendants, reached a mediation that the claimed principal amount and related expenses were approximately RMB31,400,000 and RMB4,211,000 which shall be repaid in accordance with the revised and extended schedule to December 2022.

    As at 31 December 2022 and 2021, no repayment has been made by the Group to the plaintiff.

(d) On 6 December 2021, a PRC subsidiary, NT Biopharmaceuticals Jiangsu was served by a writ of summons in 蘇州工業園區人民法院by a bank in the PRC, for its non-compliance to the terms and conditions of a loan agreement. According to the statement of claim, the bank was pursuing claims against NT Biopharmaceuticals Jiangsu 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 Jiangsu will continue to negotiate with the bank to restructure the due bank borrowings, together with the default interest, with extension of maturity and revised repayment schedule.

    As at 31 December 2022, the accrued default interest of approximately RMB5,586,000 (2021: Nil) was included in trade and other payables.

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

HUMAN RESOURCES

As at 31 December 2022, the Group had 130 full-time employees (2021: 212 full-time employees). For the year ended 31 December 2022, the Group's total cost on remuneration, welfare and social security amounted to RMB25.2 million (2021: RMB32.2 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 adopted by the Company on 22 September 2014, and a share award scheme adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

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 2022.

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 two executive Directors, one non-executive Director and three independent non-executive Directors, with the independent non-executive Directors representing 50% 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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 2022. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

No material events occurred subsequent to 31 December 2022 which may have a significant effect on the assets and liabilities or future operations of the Group.

REVIEW OF AUDITED ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Ming Kwan, 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 2022 and has recommended its adoption by the Board.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's independent auditor, Moore Stephens CPA Limited ("**Moore Hong Kong**"), to the amounts as set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Moore Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by Moore Hong Kong on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Group:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of Disclaimer of Opinion

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements

As described in note 2(b) to the consolidated financial statements, the Group incurred a net loss of approximately RMB66,405,000 for the year ended 31 December 2022, and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB1,096,259,000 and RMB241,658,000, respectively. The Group's total borrowings amounted to approximately RMB825,045,000, of which approximately RMB460,317,000, RMB82,693,000 and RMB282,035,000 were overdue for repayment, repayable on demand and would be due for repayment within next twelve months from 31 December 2022, respectively, while the Group's total cash and bank balances amounted to approximately RMB5,931,000 as at 31 December 2022, of which approximately RMB4,015,000 were restricted cash at bank. Details are set out in notes 2(b), 21 and 26 to the consolidated financial statements. In addition, the Group was involved in various litigation and arbitration cases for various reasons as disclosed in note 37 to the consolidated financial statements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As detailed in note 2(b) to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group based on certain major assumptions, including but not limited to the following:

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

(ii) Successful negotiations with financial institutions and other lenders for the renewal of or extension for repayment of outstanding borrowings, including those that are overdue as at the date of approval of these consolidated financial statements and those that will fall due before 31 December 2023;

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

(iv) Successful obtaining new sources of financing to repay such borrowings upon the due date; and

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

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the above measures and plans will be successfully implemented, which are subject to uncertainties. We are unable to obtain sufficient appropriate evidence to satisfy ourselves whether the assumptions adopted by the Company to prepare the consolidated financial statements on a going concern basis as described above and there are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans and measures can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the carrying values Group's assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

ACTION PLAN TO ADDRESS DISCLAIMER OPINION

The auditor of the Company did not express opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

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

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

(ii) The Group accelerates its disposal plan of its properties, plant and equipment and leasehold land to reduce its debts. Subsequent to 31 December 2022 and up to the date of this announcement, the Group is actively in discussion with an independent third parties in relation to entering into of a disposal agreement;

(iii) The Group will develop itself into an integrated platform enterprise that covers the supply of family drugs, health products, and health screening services, with a focus on smart family medicine. By participating in the cooperation program for family doctors initiated by the National Health Commission of the PRC, the Group has reached preliminary acquisition intentions with healthcare products potential target companies, aiming to build and realize a digital smart family medical service network. The platform currently plans to maintain its future core business by acquiring (including self-owned channels) and acting as an agent to supply and sell more family medical products. Negotiations are also underway for drug supply cooperation with multiple pharmaceutical companies. The joint venture (namely Kangchen Biological (康辰生物)) and the innovative drug (namely奥替單體), which previously invested in by the Group, will continue to operate as investment assets.

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

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

As at the date of this announcement, none of the Measures has been completed. As the Measures involve on-going negotiations and communications with various external parties, potential purchasers and creditors, it is difficult to define a definite timetable on the completion of Measures under the action plan. Notwithstanding, the Board will strive to complete the Measures during the financial year ending 31 December 2023.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion on the consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee noted that the Board has undertaken or in the progress of implementing the Measures to improve the Group's liquidity position. As at the date of this announcement, the Board is not aware of any indication that any of the Measures cannot be completed. With reference to the cash flow forecast which is prepared upon the assumption that the Measures will be successfully implemented, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements for the year ended 31 December 2022. Accordingly, the consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis.

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

NEXT FINANCIAL STATEMENTS

Based on the Company's discussion with the auditor, as the disclaimer opinion relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 December 2023, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 December 2023. The Board will provide sufficient appropriate audit evidence to the auditor to assess the appropriateness of the Board's application of going concern basis in preparing the Group's consolidated financial statements, and based on the audit evidence obtained, the auditor determine whether the audit evidence is sufficient and any uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Company's ability to carry on as a going concern as at 31 December 2023 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 December 2023.

Because of the foregoing, as at the date of this announcement, the auditor is unable to confirm whether the disclaimer opinion will be removed for the annual results for the year ending 31 December 2023. However, assuming all the Measures are successfully implemented as planned, sufficient and appropriate audit evidence would be obtained by the auditor and the Board is satisfied that the Company can continue business as a going concern, barring any unforeseen circumstances, it is likely that the annual results for the year ending 31 December 2023 will be free of the disclaimer opinion.

AUDITOR

Crowe (HK) CPA Limited ("**Crowe**") has resigned as auditor of the Company with effect from 14 December 2022. The Board has appointed Moore Hong Kong as new auditor of the Company to fill the vacancy following Crowe's resignation and to hold office until the conclusion of the next annual general meeting.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore Hong Kong as auditor of the Company.

PUBLICATION OF ANNUAL RESULTS

The audited annual results announcement is published on websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.ntpharma.com). The Annual Report containing all the information as required by the Listing Rules will be despatched to the shareholders and made available for review in the same websites on or before 30 April 2023.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers, management team and staff for their continuous support to the Group.

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

Hong Kong, 31 March 2023

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