中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 01011)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

**HIGHLIGHTS**

- The overall revenue of the Group from continuing operations for the six months ended 30 June 2019 was RMB186.1 million.
- For the six months ended 30 June 2019, the Group recorded gross profit amounting to RMB133.9 million (2018: RMB241.1 million) and gross profit margin was 72.0% (2018: 77.3%).
- For the six months ended 30 June 2019, the Group's profit was RMB3.7 million.
- Basic earnings per share was RMB0.28 cents for the six months ended 30 June 2019, as compared to basic earnings per share of RMB5.28 cents for the corresponding period in 2018.

## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China NT Pharma Group Company Limited (the "**Company**" or "**NT Pharma**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period Under Review**"), together with the comparative figures for the six months ended 30 June 2018 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Continuing operations** | | | |
| **Revenue** | | **186,055** | 311,985 |
| Cost of sales | | **(52,180)** | (70,844) |
| **Gross profit** | | **133,875** | 241,141 |
| Other (loss)/revenue | 4 | **(2,613)** | 545 |
| Other net loss | 5 | **(2,552)** | (1,751) |
| Selling and distribution expenses | | **(54,067)** | (50,043) |
| Administrative expenses | | **(40,916)** | (51,693) |
| Fair value change on financial liabilities at fair value through profit or loss | | **11** | 4,320 |
| Share of gain/(loss) of an associate | | **3** | (1) |
| Equity-settled share option expenses | | **–** | (34) |
| **Profit from operations** | | **33,741** | 142,484 |
| Finance costs | | **(29,991)** | (26,290) |
| **Profit before taxation** | 6 | **3,750** | 116,194 |
| Income tax expense | 7 | **(50)** | (10,297) |
| **Profit for the period from continuing operations** | | **3,700** | 105,897 |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Discontinued operation** | | | |
| **Loss for the period from discontinued operation** | | **–** | (21,568) |
| **Profit for the period** | | **3,700** | 84,329 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **4,751** | 82,940 |
| Non-controlling interests | | **(1,051)** | 1,389 |
| **Profit for the period** | | **3,700** | 84,329 |
| **Profit attributable to equity holders of the Company arises from:** | | | |
| Continuing operations | | **4,751** | 104,508 |
| Discontinued operation | | **–** | (21,568) |
| | | **4,751** | 82,940 |
| **Earnings per Share** | 8 | | |
| From continuing and discontinued operations | | | |
| Basic | | **0.28 cent** | 5.28 cents |
| Diluted | | **0.28 cent** | 4.48 cents |
| **Earnings per Share** | | | |
| From continuing operations | | | |
| Basic | | **0.28 cent** | 6.65 cents |
| Diluted | | **0.28 cent** | 5.64 cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | **3,700** | 84,329 |
| **Other comprehensive income for the period** | | |
| Exchange differences on translation of financial statements of entities outside the PRC | **22,913** | (1,442) |
| **Total comprehensive income for the period** | **26,613** | 82,887 |
| **Attributable to:** | | |
| Equity holders of the Company | **27,664** | 81,498 |
| Non-controlling interests | **(1,051)** | 1,389 |
| **Total comprehensive income for the period** | **26,613** | 82,887 |
| **Total comprehensive income for the period attributable to owners of the Company arise from:** | | |
| Continuing operations | **27,664** | 103,066 |
| Discontinued operation | **–** | (21,568) |
| | **27,664** | 81,498 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Note | **30 June 2019 *RMB'000* (Unaudited)** | 31 December 2018 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| – Property, plant and equipment | | **278,477** | 290,240 |
| – Interests in leasehold land held for own use under operating leases | | **40,538** | 40,994 |
| – Right-of-use assets | | **6,188** | – |
| | | **325,203** | 331,234 |
| Intangible assets | | **1,280,328** | 1,271,169 |
| Interest in an associate, net | | **16,920** | 16,918 |
| Prepayment for acquisition of intangible asset | | **17,191** | 17,191 |
| Financial assets at fair value through profit or loss | | **4,007** | – |
| Available-for-sale financial asset | | **561** | 559 |
| | | **1,644,210** | 1,637,071 |
| **Current assets** | | | |
| Inventories | | **52,650** | 44,962 |
| Trade and other receivables | 9 | **539,554** | 419,336 |
| Pledged bank deposits | | **30,010** | 38,000 |
| Cash at banks and in hand | | **76,605** | 87,793 |
| | | **698,819** | 590,091 |

| | Note | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Contract liabilities | | **13,202** | 12,871 |
| Trade and other payables | 10 | **231,484** | 298,533 |
| Bank and other borrowings | 11 | **908,585** | 1,007,000 |
| Financial liabilities at fair value through profit or loss | | **401,082** | 10,024 |
| Current taxation | | **11,800** | 12,557 |
| Lease liabilities | | **1,891** | – |
| | | **1,568,044** | 1,340,985 |
| **Net current liabilities** | | **(869,225)** | (750,894) |
| **Total assets** | | **2,343,029** | 2,227,162 |
| **Total assets less current liabilities** | | **774,985** | 886,177 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **50,000** | 3,550 |
| Financial liabilities at fair value through profit or loss | | **3,996** | 391,058 |
| Lease liabilities | | **4,297** | – |
| | | **58,293** | 394,608 |
| **NET ASSETS** | | **716,692** | 491,569 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **1** | 1 |
| Reserves | | **715,467** | 489,291 |
| **Total equity attributable to equity holders of the Company** | | **715,468** | 489,292 |
| **Non-controlling interests** | | **1,224** | 2,277 |
| **TOTAL EQUITY** | | **716,692** | 491,569 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

### 1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2018.

**Adoption of New/Revised HKFRSs – effective 1 January 2019**

In the current period, the Group has applied for the first time the following new/revised HKFRSs issue by HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2019.

| | |
|---|---|
| Annual Improvements to HKFRS | Annual Improvements 2015-2017 Cycle |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |

The Directors anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

### 3. 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 two reportable segments:

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

– Miacalcic: revenue from sale of Miacalcic Injection and Miacalcic Nasal Spray branded pharmaceutical products for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome and sub-licensing of intellectual property rights, marketing and distribution rights of Miacalcic Injection and Miacalcic Nasal Spray.

**(a) Segment results**

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

**Continuing Operations**

| | **Proprietary products production and sales** | | **Miacalcic** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Six months ended 30 June** | | **Six months ended 30 June** | | **Six months ended 30 June** | |
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Reportable segment revenue | **94,023** | 160,007 | **92,032** | 151,978 | **186,055** | 311,985 |
| Cost of sales | **(32,786)** | (48,308) | **(19,394)** | (22,536) | **(52,180)** | (70,844) |
| Reportable segment gross profit | **61,237** | 111,699 | **72,638** | 129,442 | **133,875** | 241,141 |
| Reportable segment operating profit | **12,373** | 63,241 | **56,684** | 104,613 | **69,057** | 167,854 |

(b) **Reconciliations of reportable segment revenue and profit**

| | Continuing Operations Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Reportable segment revenue and consolidated revenue | **186,055** | 311,985 |
| **Profit** | | |
| Reportable segment operating profit | **69,057** | 167,854 |
| Unallocated head office and corporate expenses | **(30,165)** | (28,449) |
| Other (loss)/revenue | **(2,613)** | 545 |
| Fair value change on financial liabilities at fair value through profit or loss | **11** | 4,320 |
| Other net loss | **(2,552)** | (1,751) |
| Finance costs | **(29,991)** | (26,290) |
| Share of gain/(loss) of an associate | **3** | (1) |
| Equity-settled share option expenses | **–** | (34) |
| Consolidated profit before taxation | **3,750** | 116,194 |

## 4. OTHER (LOSS)/REVENUE

| | Continuing Operations Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income | **1,837** | 1,197 |
| Government subsidy income | **–** | 315 |
| Other loss | **(4,450)** | (967) |
| | **(2,613)** | 545 |

## 5. OTHER NET LOSS

| | Continuing Operations<br>Six months ended 30 June<br>**2019**<br>***RMB'000***<br>**(Unaudited)** | <br><br>2018<br>*RMB'000*<br>(Unaudited) |
|---|---|---|
| Net loss on disposal of property, plant and equipment | **–** | – |
| Net exchange loss | **2,552** | 1,751 |
| | **2,552** | 1,751 |

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Continuing Operations<br>Six months ended 30 June<br>**2019**<br>***RMB'000***<br>**(Unaudited)** | <br><br>2018<br>*RMB'000*<br>(Unaudited) |
|---|---|---|
| Depreciation of property, plant and equipment | **8,190** | 10,610 |
| Amortisation of interests in leasehold land held for own use under operating leases | **457** | 457 |
| Amortisation of intangible assets | **405** | 348 |
| Asset impairment losses: | | |
| – inventories | **79** | 182 |
| – trade debtors | **10,928** | 687 |
| Operating lease charges in respect of properties | **6,719** | 6,718 |
| Cost of inventories sold | **52,180** | 71,214 |
| Reversal of impairment for inventories | **(340)** | (552) |
| Reversal of impairment for trade debtors | **(5,237)** | (10,783) |

## 7. INCOME TAX EXPENSE

| | Continuing Operations Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Current tax – PRC Income Tax** | | |
| Provision for the period | **50** | 10,006 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **–** | 291 |
| Income tax expense | **50** | 10,297 |

*Notes:*

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) The Company's subsidiaries in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax at tax rate of 16.5% (2018: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2019, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained losses for Hong Kong profits tax purpose.

For the six months ended 30 June 2019, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2018: 25%), except that Suzhou First is subject to income tax rate of 15% (2018: 15%).

## 8. EARNINGS PER SHARE

### (a) Basic earnings per Share

The calculation of basic earnings per share of the Company (the "**Share**") is based on the profit attributable to the equity holders of the Company for the six months ended 30 June 2019 of RMB4,892,000 (2018: RMB82,940,000) and the weighted average number of 1,668,682,310 (2018: 1,572,106,031) ordinary Shares in issue during the period.

### (b) Diluted earnings per Share

The calculation of fully diluted earnings per Share is based on earnings for the six months ended 30 June 2019 of RMB4,892,000 (2018: RMB82,940,000) and the weighted average number of 1,668,682,310 (2018: 1,851,827,041) ordinary Shares in issue after adjusting for the effect of all dilutive potential ordinary Shares.

## 9. TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| Trade debtors and bills receivable | **742,242** | 728,400 |
| Less: Allowance for doubtful debts | **(463,831)** | (486,016) |
| | **278,411** | 242,384 |
| Deposits, prepayments and other receivables | **261,143** | 176,952 |
| | **539,554** | 419,336 |

As at 30 June 2019, none (31 December 2018: nil) of the Group's trade and other receivables were used for securing certain banking facilities.

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

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 3 months | **214,665** | 94,543 |
| More than 3 months but within 6 months | **9,430** | 69,011 |
| More than 6 months but within 1 year | **31,506** | 30,734 |
| More than 1 year but within 2 years | **22,810** | 48,096 |
| | **278,411** | 242,384 |

## 10. TRADE AND OTHER PAYABLES

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

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade creditors | **21,575** | 17,829 |
| Bills payable | **10** | 10 |
| Total trade creditors and bills payable | **21,585** | 17,839 |
| Accrued staff costs | **2,409** | 4,870 |
| Construction cost payable | **30,059** | 51,605 |
| Investment deposit received | **–** | 70,000 |
| Considerations payable | **10,772** | 10,772 |
| Bonds payable | **33,302** | – |
| Other payables and accruals | **133,357** | 143,447 |
| | **231,484** | 298,533 |

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

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| Within 3 months | **16,202** | 10,971 |
| More than 3 months but within 6 months | **4,022** | 1,816 |
| More than 6 months but within 1 year | **539** | 3,385 |
| More than 1 year | **822** | 1,667 |
| | **21,585** | 17,839 |

## 11. BANK AND OTHER BORROWINGS

As at 30 June 2019, the bank loans comprised:

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| Bank borrowings | **802,250** | 859,282 |
| Other borrowings | **106,335** | 147,718 |
| | **908,585** | 1,007,000 |
| Secured | **732,205** | 830,583 |
| Unsecured | **176,380** | 176,417 |
| | **908,585** | 1,007,000 |

As at 30 June 2019, the banking facilities were secured by certain assets of the Group as follows:

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Fixed assets | **201,798** | 201,798 |
| Trade receivables | **60,000** | 75,547 |
| Pledged bank deposits | **30,010** | 38,000 |
| | **291,808** | 315,345 |

## 12. DIVIDEND

No dividend was declared or paid by the Company for the six months ended 30 June 2019.

## 13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2019.

## 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**"), osteology, oncology and hematology. NT Pharma owns two new National Class 1 drugs, one well-known international innovative brand-name drug and a number of generic drugs. The Group conducts its 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 first half of 2019, the Group devoted much effort to the adjustment and restructuring of its sales model, tightening of cost control and improvement of its financial condition. During the Period Under Review, prices of various products dropped due to the pressure of the centralised tender procurement program. In addition, the Group adjusted its sales model and sales channels according to the industrial policies. The overall revenue of the Group from continuing operations for the Period Under Review decreased by RMB125.9 million to RMB186.1 million, as compared with RMB312.0 million for the corresponding period in 2018. Operating profit from continuing operations for the period ended 30 June 2019 decreased by RMB102.2 million to RMB3.7 million, as compared with an operating profit of RMB105.9 million for the corresponding period in 2018. The Group recorded a net profit of RMB3.7 million for the period ended 30 June 2019, as compared with a net profit of RMB84.3 million for the corresponding period in 2018, representing a decrease of 95.6% year on year.

### BUSINESS REVIEW

In the first half of 2019, the global environment continued to be uncertain. The China-United States ("**U.S.**"). trade tension and geopolitical risks in various regions exacerbated global instability. At the same time, the PRC pharmaceutical industry was still confronted with tremendous challenges. Despite the growing demand for medical services in the mainland, there was tightened price control over the medicines covered by medical insurance. The ever-changing national policies on medicines brought significant changes to the pharmaceutical industry in terms of its development trend and the competition therein. Under such circumstances, the Group continued to adhere to its established development strategy during the Period Under Review, make flexible adjustments to its business policies and consolidate internal resources. It actively arranged and deepened its sales channels for the orthopedic and psychiatric drug markets while exploring and strengthening its biotechnological research platform, with an aim to becoming an integrated technology-based pharmaceutical company with biologics development capabilities.

In the area of CNS, Shusi (generic name: quetiapine fumarate tablets), the Group's atypical antipsychotic drug, is the Group's first self-developed, produced and sold product. With more than 15 years of development, Shusi has been widely recognised by the clinical specialists and the industry, and currently takes an important position in the quetiapine generic drug market. During the Period Under Review, the Group re-adjusted its sales network and developed a targeted sales strategy. It further refined its marketing management to fully explore the potentials of the untapped market. On the one hand, it took over and deepened the sales channels in third and fourth-tier cities, on the other hand, it supplemented the markets and channels in first and second-tier cities, so as to enhance brand awareness and market penetration of Shusi. During the Period Under Review, the Group actively promoted the consistency evaluation of Shusi.

Shusi is a proprietary product of Suzhou First. In December 2013, Shusi was approved by the China Food and Drug Administration (國家藥品監督管理總局)("**CFDA**") for treatment of schizophrenia and maniacalis insultus as a result of bipolar affective disorder. Shusi is an atypical antipsychotic first-tier drug with reliable safety and good therapeutic effects on first-time psychiatric patients, elderly patients and adolescent patients. Shusi is listed on both the National Reimbursement Drug List and the National Essential Drugs List and is a state-approved prescription medicine. Shusi is a mature brand with high recognition in the quetiapine market, with its competitive pricing under the background of PRC's encouragement of generic drugs, this product will have tremendous growth potential and will continue to play a key role in the future development of the Group.

In the area of orthopedics, the acquisition of the two orthopedics formulations, injection and nasal spray, of Miacalcic (generic name: salmon calcitonin) was completed by the Group in 2016 and 2017, respectively. Miacalcic has been used for clinical purposes for more than 30 years, which is highly recognised in the orthopedics area in terms of its efficacy and brand. During the Period Under Review, the Group's sales team rapidly built up close relationships with domestic orthopedists and provided professional services. The Group's Miacalcic has been sold in 32 provinces and 36 first-tier cities across the country, as well as 12 overseas countries, laying a solid foundation for the Group's orthopedics business and strategic development.

As a well-known international orthopedic brand, Miacalcic is mainly used in the treatment for bone pain resulted from osteolysis and low bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome. The Miacalcic recorded a stable sales with a global sales network covering China and other countries and regions. The Group has strategically established its presence in the area of orthopedic treatment and secured its market position.

The Group entered into a cooperation agreement with Pfenex Inc. ("**Pfenex**"), a U.S. biotechnology company, in April 2018 to jointly develop teriparatide products. Under the agreement, the Group has exclusive right to commercialise teriparatide products in five countries/regions including the PRC, Hong Kong, Thailand, Singapore and Malaysia. The overall clinical R&D results of the teriparatide products were remarkably satisfactory. The new drug application has been submitted to the U.S. Food and Drug Administration ("**FDA**") in October 2018.

Teriparatide is an important drug in the area of osteoporosis treatment. It is the first and the only FDA-approved drug for the treatment of osteoporosis, which can be used to stimulate bone formation, increase bone mass and improve bone quality. In recent years, the Group has made much effort in developing the orthopedic area. Teriparatide and Miacalcic, an existing orthopedic product, will create synergy effects in achieving complementary advantages in the orthopedic product mix. As ageing and osteoporosis symptoms are becoming more and more common, the Group aims to provide better-quality drugs to patients and further reinforce its market position in the orthopedics area at the same time.

In the areas of oncology and hematology, Xi Di Ke (generic name: uroacitide injection), a national class 1 new drug, has been approved by the CFDA for the treatment of non-small cell lung cancer and terminal breast cancer. During the Period Under Review, the Group sped up the admission work of Xi Di Ke and successfully had it admitted into the medicine catalogue for medical insurance of both Jiangsu and Anhui provinces. In addition, the Group commenced the clinical research work for Xi Di Ke in new Myelodysplastic syndromes ("**MDS**") indications and obtained the approval of CFDA to enter the green channel for fast approval of innovative drugs. Meanwhile, it also received central subsidies of RMB5.9 million in total from the new drug project division of the National Health and Family Planning Commission (國家衛計委新藥專項組) in April 2018, which further demonstrated the PRC government's support towards the Group's research work on Xi Di Ke in MDS indications.

Xi Di Ke is a proprietary product of Jiangsu Biopharma. Xi Di Ke was awarded the new Good Manufacturing Practices ("**GMP**") certification by the CFDA in March 2017 and was officially commercialised in hospitals starting from April 2017. The first prescription of Xi Di Ke was issued in June 2018. In terms of new indications, as Xi Di Ke is the only drug for the treatment of low and medium risks MDS in the market, it has exclusive treatment advantage. Xi Di Ke has also demonstrated good treatment results and safety in clinical trials.

## OPERATING RESULTS

### Sales

The Group's business is currently composed of two major operating segments, i.e. proprietary products manufacturing and sales and promotion of Miacalcic.

The Group's proprietary products include Shusi, Xi Di Ke, Zhuo'ao, Songzhi Wan and other drugs. For the six months ended 30 June 2019, the total revenue from manufacturing and sales of proprietary products decreased by RMB66.0 million or 41.3% to RMB94.0 million, as compared with RMB160.0 million for the corresponding period in 2018. Revenue of Shusi decreased by RMB24.9 million or 25.2% to RMB73.8 million for the Period Under Review, as compared with RMB98.7 million for the corresponding period in 2018. The decreased sales amount of Shusi was attributable to the negative impact brought by the price adjustment of Shusi after the shifting of sales model from proprietary to agency sales during the Period Under Review. For the six months ended 30 June 2019, revenue from Xi Di Ke amounted to RMB0.4 million, as compared with RMB34.3 million for the corresponding period in 2018. Revenue of Zhuo'ao decreased by RMB1.4 million or 10.0% to RMB12.6 million, as compared with RMB14.0 million for the corresponding period in 2018. The slight decrease in sales amount of Zhuo'ao was mainly due to the negative impact brought by the price adjustment of Zhuo'ao after the shifting of sales model from agency to proprietary sales during the Period Under Review.

For the six months ended 30 June 2019, revenue from the Miacalcic segment amounted to RMB92.0 million, as compared with RMB152.0 million for the corresponding period in 2018. Brand licensing fee income of Miacalcic Injection decreased by RMB2.4 million or 63.2% to RMB1.4 million for the Period Under Review from RMB3.8 million for the corresponding period in 2018. Revenue from Miacalcic Injection decreased by RMB40.5 million or 34.4% to RMB77.4 million for the Period Under Review, as compared with RMB117.9 million for the corresponding period in 2018. Brand licensing fee income of Miacalcic Nasal Spray amounted to RMB8.9 million, as compared with RMB26.5 million for the corresponding period in 2018. Revenue from Miacalcic Nasal Spray amounted to RMB4.3 million for the Period Under Review, as compared with RMB3.7 million for the corresponding period in 2018.

## HUMAN RESOURCES

As at 30 June 2019, the Group had 426 full-time employees (30 June 2018: 802 employees). For the period ended 30 June 2019, the Group's total costs on remuneration, welfare and social security amounted to RMB49.7 million (30 June 2018: RMB78.5 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training.

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

## OUTLOOK

In view of the downward pressure of the global economy in the second half of 2019, the PRC economy is expected to maintain steady growth amid the fine-tuning of macroeconomic policies. The PRC pharmaceutical industry has been growing rapidly with further improvements in the medical insurance system and continuous implementation of the supply-side reform. With the impact of factors such as frequently issued pharmaceutical policies, the promotion of the Chinese health industry strategies and an ageing population factors such as the pharmaceutical industry will undergo a structural adjustment and gradually enter a new development cycle. With further deepening efforts in national pharmaceutical reform, including the promotion of consistency evaluation on the quality and efficacy of generic drugs as well as the implementation of the new National Essential Drugs List and the centralised tender procurement program. It is believed that the pharmaceutical industry will be full of new challenges and opportunities.

The Group will continue its strategy to focus on psychiatric and orthopedic products and vigorously drive the sales of Shusi and Miacalcic. Meanwhile, through taking Shusi and Miacalcic as key products in its promotion and continuous efforts in optimising its sales management system and allocating resources to marketing, the Group aims at achieving the goal of continuous development in terms of products, sales channels and markets. The Group will ensure a more effective allocation of resources and continue to improve the operational efficiency through more stringent management and internal control.

In addition, the Group will closely monitor the developments in pharmaceutical policies and changes in the market and accelerate the progress of its R&D projects. It will strengthen its R&D capabilities in biotechnology, expedite the development of its innovation and research capabilities, and actively seize the opportunity of changes in the industry to maintain the momentum for the Group's continuous development.

## FINANCIAL REVIEW – CONTINUING OPERATIONS

### Revenue

| | For the six months ended 30 June | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019 Sales volume** *'000* | **2019 Unit price** *RMB* | **2019 Sales amount** *RMB'000* | **2019 Proportion** *(%)* | 2018 Sales volume *'000* | 2018 Unit price *RMB* | 2018 Sales amount *RMB'000* | 2018 Proportion *(%)* |
| **Proprietary products production and sales** | | | | | | | | |
| Shusi | **2,532** | **29.1** | **73,771** | **39.7%** | 3,137 | 31.5 | 98,747 | 31.7% |
| Xi Di Ke | **1** | **603.8** | **357** | **0.2%** | 73.4 | 467.3 | 34,301 | 11.0% |
| Zhuo'ao | **6,195** | **2.0** | **12,551** | **6.7%** | 7,049 | 2.0 | 14,027 | 4.5% |
| Others | **8,113** | **0.9** | **7,344** | **3.9%** | 7,839 | 1.6 | 12,932 | 4.1% |
| **Subtotal** | | | **94,023** | **50.5%** | | | 160,007 | 51.3% |
| **Miacalcic** | | | | | | | | |
| Miacalcic Injection | **485** | **159.6** | **77,400** | **41.6%** | 649 | 181.7 | 117,920 | 37.8% |
| Miacalcic Nasal Spray | **22** | **192.7** | **4,297** | **2.3%** | 16 | 232.7 | 3,723 | 1.2% |
| Brand licensing fee income of Miacalcic Injection | **38** | **38.8** | **1,456** | **0.8%** | 85 | 45.2 | 3,839 | 1.2% |
| Brand licensing fee income of Miacalcic Nasal Spray | **62** | **142.9** | **8,879** | **4.8%** | 146 | 181.0 | 26,496 | 8.5% |
| **Subtotal** | | | **92,032** | **49.5%** | | | 151,978 | 48.7% |
| **Total** | | | **186,055** | **100.0%** | | | 311,985 | 100.0% |

Revenue from manufacturing and sales of proprietary products decreased by RMB66.0 million to RMB94.0 million, accounting for 50.5% of the total revenue in the Period Under Review, as compared with RMB160.0 million or 51.3% of the Group's revenue in the corresponding period in 2018. The decrease in revenue from manufacturing and sales of proprietary products was due to the negative impact on the unit price of propriety products Shusi and Zhuo'ao after the shifting of sales model and sales channels during the Period Under Review.

During the Period Under Review, both the sales volume and unit price of Miacalcic dropped as a result of the change in sales channels as well as the impact of the prices in certain overseas markets. Miacalcic contributed income of RMB92.0 million to the Company for the six months ended 30 June 2019 as compared to RMB152.0 million for the corresponding period in 2018.

**Cost of Sales**

For the six months ended 30 June 2019, cost of sales decreased by RMB18.7 million to RMB52.2 million, as compared with RMB70.8 million for the corresponding period in 2018. The decrease in cost of sales was mainly due to the decrease in cost of sales of Shusi and Zhuo'ao during the Period Under Review.

**Gross Profit**

| Products | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2019** | **2019** | 2018 | 2018 |
| | **Gross Profit** *RMB'000* | **Gross Profit Margin** | Gross Profit *RMB'000* | Gross Profit Margin |
| **Proprietary products production and sales** | | | | |
| Shusi | **56,860** | **77.1%** | 75,750 | 76.7% |
| Xi Di Ke | **340** | **95.2%** | 29,674 | 86.5% |
| Zhuo'ao | **7,378** | **58.8%** | 8,683 | 61.9% |
| Others | **(3,341)** | **(45.5)%** | (2,408) | (18.6)% |
| **Subtotal** | **61,237** | **65.1%** | 111,699 | 69.8% |
| **Miacalcic** | | | | |
| Miacalcic Injection | **60,432** | **78.1%** | 96,061 | 81.5% |
| Miacalcic Nasal Spray | **1,871** | **43.5%** | 3,046 | 81.8% |
| Brand licensing fee income of Miacalcic Injection | **1,456** | **100.0%** | 3,839 | 100.0% |
| Brand licensing fee income of Miacalcic Nasal Spray | **8,879** | **100.0%** | 26,496 | 100.0% |
| **Subtotal** | **72,638** | **78.9%** | 129,442 | 85.2% |
| **Total** | **133,875** | **72.0%** | 241,141 | 77.3% |

Gross profit decreased by RMB107.2 million to RMB133.9 million in the six months ended 30 June 2019, as compared with RMB241.1 million in the corresponding period in 2018. Gross profit margin decreased by 5.3 percentage points to 72.0% for the six months ended 30 June 2019, as compared with 77.3% for the corresponding period in 2018. The decrease in gross profit margin was mainly due to the decrease in average selling prices and sales contribution of products with higher gross profit margin such as Shusi and Xi Di Ke, as well as the decrease in revenue contribution from Miacalcic.

**Reportable Segments Operating Profit**

The operating expenses of the Group decreased by RMB8.5 million or 11.6% to RMB64.8 million for the six months ended 30 June 2019, as compared with RMB73.3 million for the corresponding period in 2018. The Group recorded an operating profit of RMB69.1 million for the six months ended 30 June 2019, as compared with RMB167.9 million for the corresponding period in 2018. The following table sets forth a breakdown of the Group's operating profit by reportable segments for the six months ended 30 June 2019:

| | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| **Products** | **2019 Operating Profit** *RMB'000* | **2019 Operating profit margin** | 2018 Operating Profit *RMB'000* | 2018 Operating profit margin |
| **Proprietary products production and sales** | **12,373** | **13.2%** | 63,241 | 39.5% |
| **Miacalcic** | **56,684** | **61.6%** | 104,613 | 68.8% |
| **Total** | **69,057** | **37.1%** | 167,854 | 53.8% |

**Finance Costs**

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB3.7 million or 14.1% to RMB30.0 million for the six months ended 30 June 2019, as compared to RMB26.3 million for the corresponding period in 2018. The increase in finance costs was mainly due to an increase in bank borrowing interest rates as compared with the corresponding period in 2018.

**Taxation**

Income tax expense was RMB0.05 million for the six months ended 30 June 2019 as compared to an income tax expense of RMB10.3 million for the corresponding period in 2018.

**Profit/Core Profit Attributable to Equity Holders of the Company**

Profit attributable to equity holders of the Company for the six months ended 30 June 2019 was RMB4.8 million as compared to a net profit of RMB82.9 million for the corresponding period in 2018. Core profit attributable to equity holders of the Company for the six months ended 30 June 2019 was RMB7.3 million as compared to a core profit of RMB84.7 million for the corresponding period in 2018.

**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 during the six months ended 30 June 2019. 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 during the six months ended 30 June 2019 (with adjustments made for all potential dilution effect of the ordinary Shares).

| | **As at 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to equity holders of the Company (RMB'000) | **4,751** | 82,940 |
| Plus: equity-settled share option expenses (RMB'000) | **–** | 34 |
| Plus: share of gain/(loss) of an associate (RMB'000) | **(3)** | 1 |
| Plus: net exchange loss (RMB'000) | **2,552** | 1,751 |
| Plus: net loss on disposal of property, plant and equipment (RMB'000) | **–** | – |
| Core profit attributable to equity holders of the Company (RMB'000) | **7,300** | 84,726 |
| Less: Fair value gain on financial liabilities of convertible preference shares (RMB'000) | **–** | (4,320) |
| Diluted core profit attributable to equity holders of the Company (RMB'000) | **7,300** | 80,406 |
| Weighted average number of ordinary Shares in issue (Thousand Shares) | **1,668,682** | 1,572,106 |
| Weighted average number of ordinary Shares in issue after taking into the effect of Shares issued upon exercise of share options (Thousand Shares) | **1,668,682** | 1,851,827 |
| Basic earning per Share (RMB cent per Share) | **0.28** | 5.28 |
| Diluted earnings per Share (RMB cent per Share) | **0.28** | 4.48 |
| Basic core earnings per Share (RMB cent per Share) | **0.44** | 5.39 |
| Diluted core earnings per Share (RMB cent per Share) | **0.44** | 4.34 |

The core profit attributable to equity holders of the Company is the profit attributable to equity holders of the Company excluding equity settled share option expenses, share of loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment.

### Capital Expenditure

Total capital expenditure decreased by RMB113.5 million or 76.6% to RMB34.7 million for the six months ended 30 June 2019, as compared with RMB148.2 million for the corresponding period in 2018. The capital expenditure was mainly used for acquiring the exclusive intellectual property rights and distribution rights relating to Miacalcic Nasal Spray drug products.

## 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 profit of RMB2.6 million for the six months ended 30 June 2019, while the net exchange loss of the Group for the corresponding period in 2018 was RMB1.8 million. Currently, the Group does not employ any financial instruments to hedge 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.

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| **Total debt** | **(1,363,663)** | (1,411,632) |
| Pledged bank deposits, cash and cash equivalents | **106,615** | 125,793 |
| **Net debt** | **(1,257,048)** | (1,285,839) |

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

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| Repayable: | | |
| Within 1 year or on demand | **778,072** | 775,786 |
| After 1 year but within 2 years | **112,520** | 95,070 |
| After 2 years but within 5 years | **67,993** | 139,694 |
| | **958,585** | 1,010,550 |

The Group's bank borrowings as at 30 June 2019 were approximately RMB852.3 million (31 December 2018: RMB859.3 million), out of which RMB619.4 million were bank borrowings from banks in the PRC (31 December 2018: RMB587.6 million) with fixed interest rates ranging from 4.3% to 6.5% per annum. As at 30 June 2019, the Group's bank borrowings of approximately RMB232.9 million (31 December 2018: RMB271.7 million) were made from banks in Hong Kong.

As at 30 June 2019, the Group's other borrowings amounted to RMB106.3 million in aggregate (2018: RMB151.3 million) with fixed interest rates ranging from 5.40% to 14.04% per annum.

**Debt-to-Assets Ratio**

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

| | **As at 30 June 2019** *RMB'000* **(Unaudited)** | As at 31 December 2018 *RMB'000* (Audited) |
|---|---|---|
| Total debt | **1,363,663** | 1,411,632 |
| Total assets | **2,343,029** | 2,227,162 |
| Debt-to-assets ratio | **58.2%** | 63.4% |

**Charges on the Group's Assets**

As at 30 June 2019, the Group's bank deposits of RMB78.0 million (31 December 2018: RMB38.0 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB76.5 million (31 December 2018: RMB38.0 million). As at 30 June 2019, certain banking facilities of the Group were secured by the Group's fixed assets, which amounted to RMB46.3 million (31 December 2018: RMB277.3 million).

**Capital Commitments**

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 six months ended 30 June 2019.

**Material Acquisition and Disposal**

Reference is made to the announcement of the Company dated 10 July 2019 in relation to the conditional acquisition agreements dated 25 June 2019 entered into among, among others, the Company and WD Investment Co., Ltd and the conditional subscription agreements entered into among, among others, the Company and Hong Kong WD Pharmaceutical Co., Limited (the "**Target Company**"), pursuant to which the Company will be interested in approximately 52.00% of the total issued share capital of the Target Company upon completion of the acquisition and subscription and the Target Company will become a non-wholly-owned subsidiary of the Company (the "**Proposed Transactions**").

The Proposed Transactions are subject to Shareholders' approval and a circular containing further details of the Proposed Transactions and the notice of extraordinary general meeting will be provided to Shareholders in due course. Please refer to the announcement dated 10 July 2019 for further details.

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

### Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the six months ended 30 June 2019.

### Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

## ISSUE OF CONVERTIBLE BONDS

On 1 April 2019 and 2 April 2019, the Company entered into a placing agreement and a supplemental placing agreement respectively with the placing agent in relation to the issuance of convertible bonds in an aggregate principal amount of HK$234,600,000. Below is a summary of the placing of the convertible bonds and the use of net proceeds:

| Date of agreement | Date of completion | Fund-raising activity | Net proceeds raised | Reasons for fund-raising and use of net proceeds | Closing price on the last trading day prior to the date of agreement | Actual use of net proceeds as at 30 June 2019 |
|---|---|---|---|---|---|---|
| 1 April 2019 | 18 April 2019 | Convertible bonds in an aggregate principal amount of HK$234,600,000 have been allotted and issued to three placees under the general mandate. Such perpetual convertible bonds could be converted into 316,172,506 ordinary Shares with an aggregate par value of US$25.29 at an initial conversion price of HK$0.742 per conversion share. The three placees are Mr. Ho Kin, Mr. Ieong Chong Mang and Firstgreat Limited. Firstgreat Limited is a company beneficially owned by Mr. Cheung Ching Ping Stephen. | HK$234,200,000 | Repayment of existing debts, business development and general working capital | HK$0.70 | All net proceeds have been utilised for the repayment of existing debts, business development and general working capital |

Details of the issuance of convertible bonds were set out in the announcements of the Company dated 1 April 2019, 2 April 2019, 17 April 2019 and 18 April 2019.

Save as disclosed above, the Company did not issue other equity securities (including securities convertible into equity securities) for cash during the Period Under Review.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Apart from a total of 1,680,500 Shares purchased by the trustee of the Share Award Scheme on the Stock Exchange at the price of approximately HK$3,330,000 in aggregate pursuant to the terms of the Share Award Scheme and the relevant trust deed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period Under Review.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2019 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company's business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding Directors' securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

## DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

## REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Patrick Sun (Chairman), Mr. Tze Shan Hailson Yu and Dr. Hong Yan, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2019 and has recommended its adoption by the Board. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards.

## EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, there is no significant event after the reporting period that is required to be disclosed by the Group.

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

Hong Kong, 20 August 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Ng Tit, Ms. Chin Yu, Mr. Wu Weizhong and Mr. Wang Fei; the non-executive Directors of the Company are Dr. Qian Wei and Ms. Lou Jianying; and the independent non-executive Directors of the Company are Mr. Patrick Sun, Mr. Tze Shan Hailson Yu and Dr. Hong Yan.*