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 2020

HIGHLIGHTS

- The overall revenue of the Group from continuing operations for the six months ended 30 June 2020 was RMB89.4 million (2019: RMB94.0 million).
- For the six months ended 30 June 2020, the Group recorded gross profit amounting to RMB56.7 million (2019: RMB61.2 million) and gross profit margin was 63.4% (2019: 65.1%).
- For the six months ended 30 June 2020, the Group's loss was RMB85.0 million (2019: profit of RMB3.7 million).
- Basic loss per share was RMB4.37 cents for the six months ended 30 June 2020, as compared to basic earnings per share of RMB0.28 cents for the corresponding period in 2019.

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 2020 (the "**Period Under Review**"), together with the comparative figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Continuing operations			
Revenue		**89,436**	94,023
Cost of sales		**(32,738)**	(32,786)
Gross profit		**56,698**	61,237
Other revenue/(loss)	*4*	**2,467**	(2,613)
Other net gain/(loss)	*5*	**551**	(1,909)
Selling and distribution expenses		**(38,426)**	(41,048)
Administrative expenses		**(44,403)**	(37,981)
Fair value change on financial liabilities at fair value through profit or loss		**1,794**	11
Share of (loss)/gain of an associate		**(133)**	3
Loss from operations		**(21,452)**	(22,300)
Finance costs		**(27,047)**	(22,127)
Loss before taxation	*6*	**(48,499)**	(44,427)
Income tax expense	*7*	**–**	(50)
Loss for the period from continuing operations		**(48,499)**	(44,477)

	Notes	Six months ended 30 June **2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited) (Restated)
Discontinued operation			
(Loss)/profit for the period from discontinued operation	*8*	**(36,462)**	48,177
(Loss)/profit for the period		**(84,961)**	3,700
Attributable to:			
Equity holders of the Company		**(83,207)**	4,751
Non-controlling interests		**(1,754)**	(1,051)
(Loss)/profit for the period		**(84,961)**	3,700
(Loss)/profit attributable to equity holders of the Company arises from:			
Continuing operations		**(46,745)**	(43,426)
Discontinued operation		**(36,462)**	48,177
		(83,207)	4,751
(Loss)/earnings per Share	*9*		
From continuing and discontinued operations			
Basic		**(4.37) cent**	0.28 cent
Diluted		**(4.37) cent**	0.28 cent
Loss per Share			
From continuing operations			
Basic		**(2.45) cent**	(2.60) cent
Diluted		**(2.45) cent**	(2.60) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
(Loss)/profit for the period	**(84,961)**	3,700
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**32,754**	22,913
Total comprehensive (loss)/income for the period	**(52,207)**	26,613
Attributable to:		
Equity holders of the Company	**(50,453)**	27,664
Non-controlling interests	**(1,754)**	(1,051)
Total comprehensive (loss)/income for the period	**(52,207)**	26,613
Total comprehensive (loss)/income for the period attributable to owners of the Company arise from:		
Continuing operations	**(46,745)**	(47,126)
Discontinued operation	**(3,708)**	74,790
	(50,453)	27,664

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**270,000**	265,412
– Interests in leasehold land held for own use under operating leases		**39,459**	40,003
		309,459	305,415
Intangible assets		**172,725**	1,148,477
Interest in an associate, net		**16,757**	16,891
Prepayment for acquisition of intangible asset		**17,576**	17,576
Financial asset at fair value through profit or loss		**582**	571
		517,099	1,488,930
Current assets			
Inventories		**33,625**	34,461
Trade and other receivables	*10*	**122,893**	161,895
Time deposits		**45,670**	44,790
Pledged bank deposits		**–**	40,000
Cash and cash equivalents		**33,117**	28,198
		235,305	309,344
Assets associated with disposal group classified as held for sales	*8*	**1,010,602**	–
		1,245,907	309,344

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Current liabilities			
Contract liabilities		**16,786**	16,022
Trade and other payables	*11*	**226,017**	183,583
Bank and other borrowings	*12*	**915,065**	957,748
Financial liabilities at fair value through profit or loss		**443,431**	445,219
Lease liabilities		**3,179**	1,866
Current taxation		**20,927**	21,079
		1,625,405	1,625,517
Liabilities associated with disposal group classified as held for sale	*8*	**14,334**	–
		1,639,739	1,625,517
Net current liabilities		**(393,832)**	(1,316,173)
Total assets		**1,763,006**	1,798,274
Total assets less current liabilities		**123,267**	172,757
Non-current liabilities			
Bank and other borrowings	*12*	**62,206**	64,706
Financial liabilities at fair value through profit or loss		**2,842**	2,842
Lease liabilities		**8,973**	3,286
		74,021	70,834
NET ASSETS		**49,246**	101,923
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**54,335**	105,257
Total equity attributable to equity holders of the Company		**54,336**	105,258
Non-controlling interests		**(5,090)**	(3,335)
TOTAL EQUITY		**49,246**	101,923

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2019.

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issue a number of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group as follows:

Amendments to Hong Kong Accounting Standards ("**HKASs**") 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Branchmark Reform*

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

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 resources allocation and performance assessment, the Group has presented the following one reportable segment:

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

(a) Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below.

Continuing Operations

	Proprietary products production and sales	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Reportable segment revenue	**89,436**	94,023
Cost of sales	**(32,738)**	(32,786)
Reportable segment gross profit	**56,698**	61,237
Reportable segment operating (loss)/profit	**(9,497)**	12,373

(b) Reconciliations of reportable segment revenue and profit

	Continuing Operations	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue		
Reportable segment revenue and consolidated revenue	**89,436**	94,023
(Loss)/profit		
Reportable segment operating (loss)/profit	**(9,497)**	12,373
Unallocated head office and corporate expenses	**(16,634)**	(30,165)
Other revenue/(loss)	**2,467**	(2,613)
Fair value change on financial liabilities at fair value through profit or loss	**1,794**	11
Other net gain/(loss)	**551**	(1,909)
Finance costs	**(27,047)**	(22,127)
Share of (loss)/gain of an associate	**(133)**	3
Consolidated loss before taxation	**(48,499)**	(44,427)

4. OTHER REVENUE/(LOSS)

	Continuing Operations Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited) (Restated)
Bank interest income	**1,000**	1,837
Other income/(loss)	**1,467**	(4,450)
	2,467	(2,613)

5. OTHER NET GAIN/(LOSS)

	Continuing Operations Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited) (Restated)
Net exchange gain/(loss)	**551**	(1,909)
	551	(1,909)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing Operations Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited) (Restated)
Depreciation of property, plant and equipment	**9,919**	8,190
Amortisation of interests in leasehold land held for own use under operating leases	**1,480**	457
Amortisation of intangible assets	**273**	405
Asset impairment losses:		
– inventories	**158**	79
– trade debtors	**762**	10,928
Operating lease charges in respect of properties	**–**	6,719
Cost of inventories sold	**32,738**	32,786
Reversal of impairment for inventories	**(502)**	(340)
Reversal of impairment for trade debtors	**(6,815)**	(5,237)

7. INCOME TAX EXPENSE

	Continuing Operations Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Current tax – PRC Income Tax		
Provision for the period	**–**	50
Deferred tax		
Origination and reversal of temporary differences	**–**	–
Income tax expense	**–**	50

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% (2019: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2020, 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 2020, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2019: 25%), except that Suzhou First Pharmaceutical Co., Ltd. is subject to income tax rate of 15% (2019: 15%).

8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) The loss for the periods ended 30 June 2020 and 2019 from discontinued operation is analysed as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue	**64,375**	92,032
Cost of sales	**(13,920)**	(19,394)
Gross profit	**50,455**	72,638
Other gains, net	**1,613**	643
Selling and distribution expenses	**(76,321)**	(13,019)
Administrative expenses	**(5,148)**	(2,935)
(Loss)/profit from discontinued operation	**(29,401)**	57,327
Finance costs	**(7,061)**	(9,150)
(Loss)/profit before taxation	**(36,462)**	48,177
Income tax	**–**	–
(Loss)/profit for the period from discontinued operation	**(36,462)**	48,177

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 30 June 2020 (2019: nil) are as follows:

	30 June 2020
	RMB'000
Assets	
Intangible assets	**1,002,823**
Trade and other receivables	**7,682**
Cash at banks and in hand	**97**
Assets associated with the disposal group classified as held for sales	**1,010,602**
Liabilities	
Trade and other payables	**14,334**
Liabilities associated with the disposal group classified as held for sales	**14,334**

9. (LOSS)/EARNINGS PER SHARE

(a) Basic loss per Share

The calculation of basic earnings per share is based on the loss attributable to the equity holders of the Company for the six months ended 30 June 2020 of RMB83,207,000 (2019: profit of RMB4,751,000) and the weighted average number of 1,904,635,472 (2019: 1,668,682,310) ordinary Shares in issue during the period.

(b) Diluted loss per Share

The calculation of fully diluted earnings per Share is based on loss for the six months ended 30 June 2020 of RMB83,207,000 (2019: profit of RMB4,751,000) and the weighted average number of 1,904,635,472 (2019: 1,668,682,310) ordinary Shares in issue after adjusting for the effect of all dilutive potential ordinary Shares.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade debtors and bills receivable	**647,790**	683,953
Less: Allowance for doubtful debts	**(620,508)**	(620,373)
	27,282	63,580
Deposits, prepayments and other receivables	**95,611**	98,315
	122,893	161,895

As at 30 June 2020, RMB4,604,000 (31 December 2019: RMB797,000) 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 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**20,903**	61,502
More than 3 months but within 6 months	**3,948**	1,689
More than 6 months but within 1 year	**2,236**	389
More than 1 year but within 2 years	**195**	–
	27,282	63,580

11. TRADE AND OTHER PAYABLES

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

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade creditors	**13,132**	27,727
Bills payable	**7,010**	7,010
Total trade creditors and bills payable	**20,142**	34,737
Accrued staff costs	**2,279**	2,714
Construction cost payable	**20,105**	20,105
Considerations payable	**6,000**	6,000
Other payables and accruals	**177,491**	120,027
	226,017	183,583

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 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**15,320**	25,612
More than 3 months but within 6 months	**43**	1,069
More than 6 months but within 1 year	**473**	5,180
More than 1 year	**4,306**	2,876
	20,142	34,737

12. BANK AND OTHER BORROWINGS

As at 30 June 2020, the bank and other borrowings comprised:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings	**745,397**	791,545
Other borrowings	**231,874**	230,909
	977,271	1,022,454
Secured	**813,460**	753,999
Unsecured	**163,811**	268,455
	977,271	1,022,454

As at 30 June 2020, the banking facilities were secured by certain assets of the Group as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed assets	**269,500**	270,271
Trade receivables	**4,604**	797
Pledged bank deposits	**–**	40,000
	274,104	311,068

13. DIVIDEND

No dividend was declared or paid by the Company for the six months ended 30 June 2020.

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2020.

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 drug manufacturing through three subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First**"), Jiangsu NT Biopharma Co., Ltd. ("**Jiangsu Biopharma**") and NT Pharma (Changsha) Co., Ltd. ("**Changsha Pharma**"). The Group owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. It also has an extensive sales network in the People's Republic of China ("**China**" or "**PRC**"), covering nearly 10,000 hospitals.

In the first half of 2020, the Group devoted much effort to the adjustment and restructuring of its sales model, tightening of cost control and improvement of its financial condition. During the Period Under Review, Shusi's sales volume dropped due to the pressure from the volume-based procurement arising from 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 RMB4.6 million to RMB89.4 million, as compared with RMB94.0 million for the corresponding period in 2019. Operating loss from continuing operations for the Period Under Review increased by RMB0.8 million to RMB21.5 million, as compared with an operating loss of RMB22.3 million for the corresponding period in 2019. The Group recorded a net loss of RMB48.5 million for the Period Under Review, as compared with a net loss of RMB44.5 million for the corresponding period in 2019, representing a year-on-year increase of 9.0%.

BUSINESS REVIEW

In early 2020, the outbreak of novel coronavirus pneumonia ("**COVID-19**") epidemic had a significant impact on the economy, and the Chinese government implemented strict pandemic prevention and control measures to contain the spread of the disease, with the pharmaceutical industry being more affected from March 2020 to May 2020, as outpatient and ward numbers fell sharply, resulting in a sudden drop in sales. As a result, China's economic growth contracted for the first time since 1992, shrinking by 6.8% in the first quarter of 2020. Despite the tremendous downward pressure on China's economic growth, the pharmaceutical industry was able to maintain its growth momentum under the guidance of the "13th Five-Year" Plan (2016-2020) and the "Healthy China 2030" Action Plan, and the benefits of growing market demand and the government's increased investment in the pharmaceutical industry, which is evolving in the direction of high-quality and innovation-driven development. Following last year's major institutional reform to streamline the regulatory framework for drugs, the Chinese government has intensified its reform efforts by amending the Drug Administration Law, effective from 1 December 2019, with the aim of improving health legislation, strengthening drug administration and increasing penalties for non-compliance. The legislative reform and the continuous introduction of extended policies, including the promotion of consistency evaluation on quality and generic drugs, the adjustment of the reimbursement drug catalogue, the release of a major drug-monitoring list and the expansion of the centralised drug procurement program to more provinces and cities, have posed significant opportunities and challenges to the pharmaceutical market and the Group.

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group's results. For the Period Under Review, the revenue of the Group was RMB89.4 million, representing a decrease of approximately 4.9% as compared to RMB94.0 million recorded for the corresponding period in 2019. The decrease was mainly attributable to: (i) the change in industry policies, change in sales model and decrease in price; (ii) the sales hindered by the outbreak of COVID-19 epidemic; and (iii) a decline in sales volume of Xi Di Ke and Songzhi Wan due to the lack of ability to intensify the marketing efforts under the context of tight resources.

Area of CNS

Shusi (generic name: quetiapine fumarate tablets) is the Group's major product in the area of CNS. It is the first proprietary product which is researched and developed, manufactured and sold by the Group. Shusi is mainly used for the treatment of schizophrenia and maniacalis insultus as a result of bipolar affective disorder, which is an atypical antipsychotic first-tier drug. Shusi has been in the market for more than 15 years since its debut in 2003. It has developed a strong brand image which is widely recognised by clinical practitioners and the market. During the Period Under Review, the Group has completed all the tasks involving consistency evaluations in pharmaceutical development, production transfers and clinical bioequivalence. On 2 January 2020, the Group received a certification of consistency evaluation for the generic drug quetiapine fumarate tablets (Shusi) from the National Medical Products Administration (國家藥品監督管理局). The completion of the consistency evaluation does not only represent the recognition of Shusi's drug quality and therapeutic effect, but also facilitates the acceptance of Shusi in the field of clinical psychiatry, posing a positive effect on expanding the market share of quetiapine.

Area of Oncology and Hematology

The Group's main product in the area of oncology and hematology is Xi Di Ke (generic name: uroacitides injection).

Xi Di Ke, a national class 1 new drug, has been approved by the National Medical Products Administration for the treatment of non-small cell lung cancer and terminal breast cancer. During the Period Under Review, the Group pushed forward the work of clinical trials on Xi Di Ke in new Myelodysplastic Syndrome (the "**MDS**") indications. Due to the high pressure on liquidity, the Group was unable to put a lot of resources in marketing promotions and medical forums, and as such the product did not generated a new source of revenue for the Group during the Period Under Review.

OPERATING RESULTS

Sales

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

The Group's proprietary products include Shusi, Zhuo'ao, Xi Di Ke, Songzhi Wan and other drugs. For the six months ended 30 June 2020, the total revenue from manufacturing and sales of proprietary products decreased by RMB4.6 million or 4.9% to RMB89.4 million, as compared with RMB94.0 million for the corresponding period in 2019. Revenue of Shusi decreased by RMB4.2 million or 5.7% to RMB69.6 million for the Period Under Review, as compared with RMB73.8 million for the corresponding period in 2019. The slightly decreased sales amount of Shusi was attributable to the negative impact brought by Shusi's sales volume which was affected by the COVID-19 epidemic in the first half of the year and the temporary implementation of the third round of national centralised procurement policy during the Period Under Review. For the Period Under Review, revenue of Zhuo'ao decreased by RMB0.9 million or 7.1% to RMB11.7 million, as compared with RMB12.6 million for the corresponding period in 2019. The decrease in sales amount of Zhuo'ao was mainly due to the negative impact brought by the outbreak of COVID-19 epidemic during the Period Under Review.

HUMAN RESOURCES

As at 30 June 2020, the Group had 348 full-time employees (30 June 2019: 426 employees). For the Period Under Review, the Group's total costs on remuneration, welfare and social security amounted to RMB25.0 million (for the six months ended 30 June 2019: RMB49.7 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

Despite signs of a gradual recovery following the easing of lockdown restrictions imposed to contain the outbreak of COVID-19 epidemic, widespread uncertainty about the second wave of infection and diplomatic disagreements between China and the United States have clouded the outlook on global economy. In the face of the global economic slowdown and domestic headwinds, the Chinese government has introduced strong fiscal and monetary policies to support businesses, stimulate domestic demand and maintain employment in order to tide over the difficult times.

Although China's growth rate is slowing down, the government is expected to continue to invest in healthcare reform in the last year of the "13th Five-Year" Plan. Despite the implementation of a series of regulatory reforms to rationalize drug prices, improve access to new drugs, stricter control over drug quality and safety, promote innovation and enhance market competition, the Group remains optimistic about the tremendous opportunities in the pharmaceutical market as demand will continue to increase due to the rapidly aging population, increasing living standards and rising health awareness as a result of recent COVID-19 epidemic outbreaks.

Going forward, the economic and operating environment is expected to be more complex and volatile. The outbreak of COVID-19 epidemic and the sweeping changes in the regulatory landscape of the industry have caused disruptions to the market and the entire industry chain, thus posing significant challenges to the production and operations of the Group's business segments operating in the PRC. As the positive progress of the Group's manufacturing segment reflects the effectiveness of the strategic initiatives taken, the management is committed to pursuing these strategic initiatives and believes that the Group will lay a stronger foundation for sustainable growth in revenue and profitability in the long run.

In view of the uncertainty of the breadth and depth of the impact of the COVID-19 epidemic on the global and PRC economies, the management will continue to strive to adopt flexible strategies to respond to market changes and remain vigilant in controlling operating costs in order to enhance operational efficiency and maintain the Group's financial flexibility. With the Group's sound financial position, the Group believes that it is capable to cope with unexpected events and challenges and maintain its development path for a bright future.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

	For the six months ended 30 June							
	2020 Sales volume *'000*	**2020 Unit price** *RMB*	**2020 Sales amount** *RMB'000*	**2020 Proportion** *(%)*	2019 Sales volume *'000*	2019 Unit price *RMB*	2019 Sales amount *RMB'000*	2019 Proportion *(%)*
Proprietary products production and sales								
Shusi	**2,417**	**28.8**	**69,640**	**77.9%**	2,532	29.1	73,771	78.5%
Zhuo'ao	**5,151**	**2.3**	**11,651**	**13.0%**	6,195	2.0	12,551	13.3%
Others	**5,399**	**1.5**	**8,146**	**9.1%**	8,114	0.9	7,701	8.2%
Total			**89,436**	**100.0%**			94,023	100.0%

Revenue from manufacturing and sales of proprietary products decreased by RMB4.6 million to RMB89.4 million, as compared with RMB94.0 million in the corresponding period in 2019. The decrease in revenue from manufacturing and sales of proprietary products was due to the negative impact on propriety products Shusi and Zhuo'ao brought by the policy of national centralised procurement and the outbreak of COVID-19 epidemic during the Period Under Review.

Cost of Sales

For the six months ended 30 June 2020, cost of sales decreased by RMB0.1 million to RMB32.7 million, as compared with RMB32.8 million for the corresponding period in 2019. 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

	For the six months ended 30 June			
Products	**2020 Gross Profit** *RMB'000*	**2020 Gross Profit Margin**	2019 Gross Profit *RMB'000*	2019 Gross Profit Margin
Proprietary products production and sales				
Shusi	**52,424**	**75.3%**	56,860	77.1%
Zhuo'ao	**7,041**	**60.4%**	7,378	58.8%
Others	**(2,767)**	**(34.0)%**	(3,001)	(39.0)%
Total	**56,698**	**63.4%**	61,237	65.1%

Gross profit decreased by RMB9.5 million to RMB56.7 million for the six months ended 30 June 2020, as compared with RMB61.2 million in the corresponding period in 2019. Gross profit margin decreased by 1.7 percentage points to 63.4% for the six months ended 30 June 2020, as compared with 65.1% for the corresponding period in 2019. The decrease in gross profit margin was mainly due to the increase in Shisi's unit cost after passing the consistency evaluation.

Reportable Segments Operating Profit

The operating expenses of the Group increased by RMB17.3 million or 35.4% to RMB66.2 million for the six months ended 30 June 2020, as compared with RMB48.9 million for the corresponding period in 2019. The Group recorded an operating loss of RMB9.5 million for the six months ended 30 June 2020, as compared with RMB12.4 million profit for the corresponding period in 2019. The following table sets forth a breakdown of the Group's operating profit by reportable segments for the six months ended 30 June 2020:

	For the six months ended 30 June			
	2020	**2020**	2019	2019
Products	**Operating Profit**	**Operating profit margin**	Operating Profit	Operating profit margin
	RMB'000		*RMB'000*	
Proprietary products production and sales	**(9,497)**	**(10.6)%**	12,373	13.2%

Finance Costs

The Group's finance costs consist of interest on bank and other borrowings and bank charges. Finance costs increased by RMB4.9 million or 22.2% to RMB27.0 million for the six months ended 30 June 2020, as compared to RMB22.1 million for the corresponding period in 2019. The increase in finance costs was mainly due to an increase in financing rates as compared with the corresponding period in 2019.

Taxation

There was no income tax expense for the six months ended 30 June 2020 as compared to an income tax expense of RMB0.05 million for the corresponding period in 2019.

Loss/Core Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the six months ended 30 June 2020 was RMB83.2 million as compared to a net profit of RMB4.8 million for the corresponding period in 2019. Core loss attributable to equity holders of the Company for the six months ended 30 June 2020 was RMB82.0 million as compared to a core profit of RMB7.3 million for the corresponding period in 2019.

Earnings per Share

The basic earnings per Share and basic core earnings per Share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary Shares of the Company in issue during the six months ended 30 June 2020. The diluted earnings per Share and diluted core earnings per Share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary Shares of the Company in issue during the six months ended 30 June 2020 (with adjustments made for all potential dilution effect of the ordinary Shares).

	As at 30 June	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(83,207)**	4,751
Plus: share of gain/(loss) of an associate (RMB'000)	**133**	(3)
Plus: net exchange loss (RMB'000)	**1,062**	2,552
Core (loss)/profit attributable to equity holders of the Company (RMB'000)	**(82,012)**	7,300
Less: Fair value gain on financial liabilities of convertible bond (RMB'000)	**(1,062)**	–
Diluted core (loss)/profit attributable to equity holders of the Company (RMB'000)	**(83,074)**	7,300
Weighted average number of ordinary Shares in issue (Thousand Shares)	**1,904,635**	1,668,682
Weighted average number of ordinary Shares in issue after taking into the effect of Shares issued upon exercise of share options (Thousand Shares)	**1,904,635**	1,668,682
Basic (loss)/earning per Share (RMB cent per Share)	**(4.37)**	0.28
Diluted (loss)/earnings per Share (RMB cent per Share)	**(4.37)**	0.28
Basic core (loss)/earnings per Share (RMB cent per Share)	**(4.31)**	0.44
Diluted core (loss)/earnings per Share (RMB cent per Share)	**(4.31)**	0.44

The core (loss)/profit attributable to equity holders of the Company is the (loss)/profit attributable to equity holders of the Company excluding share of loss of an associate and net exchange loss.

Capital Expenditure

Total capital expenditure decreased by RMB31.9 million or 91.9% to RMB2.8 million for the six months ended 30 June 2020, as compared with RMB34.7 million for the corresponding period in 2019. The capital expenditure was mainly used for acquiring fixed assets of a Suzhou factory.

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 RMB0.6 million for the six months ended 30 June 2020, while the net exchange loss of the Group for the corresponding period in 2019 was RMB1.9 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 2020 ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Total debt	**(1,435,696)**	(1,475,667)
Pledged bank deposits, cash and cash equivalents	**78,787**	112,988
Net debt	**(1,356,909)**	(1,362,679)

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

	As at 30 June 2020 ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Repayable in the following periods:		
Within 1 year or on demand	**896,106**	791,675
After 1 year but within 2 years	**25,665**	171,073
After 2 years but within 5 years	**55,500**	59,706
	977,271	1,022,454

The Group's bank borrowings as at 30 June 2020 were approximately RMB745.4 million (31 December 2019: RMB791.5 million), out of which approximately RMB573.5 million were bank borrowings from banks in the PRC (31 December 2019: RMB598.1 million) with fixed interest rates ranging from 4.3% to 6.5% per annum.

As at 30 June 2020, the Group's other borrowings amounted to RMB231.9 million in aggregate (2019: RMB230.9 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 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Total debt	**(1,435,696)**	1,475,667
Total assets	**752,404**	1,798,274
Debt-to-assets ratio	**190.8%**	82.1%

Charges on the Group's Assets

As at 30 June 2020, the Group has no bank deposits (31 December 2019: RMB40.0 million) were pledged to the banks to secure certain bank loans and bills payable. As at 30 June 2020, certain banking facilities of the Group were secured by the Group's fixed assets, which amounted to RMB274.1 million (31 December 2019: RMB271.1 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 2020.

Material Acquisition and Disposal

References are made to the announcements of the Company dated 27 April 2020, 20 May 2020, 5 June 2020 and 24 June 2020 and the circular of the Company dated 5 June 2020 (the "**Circular**") in relation to, among others, (i) the proposed disposal of the entire allotted and issued share capital of NT Pharma International Co., Ltd (泰凌醫藥國際有限公司) ("**NT Pharma International**") by NT Pharma (Overseas) Holding Co., Ltd (泰凌醫藥(海外)控股有限公司) ("**NT Pharma Overseas**") to Beijing Kangchen Biological Technology Co., Ltd. (北京康辰生物科技有限公司) ("**Kangchen**"), pursuant to the terms and conditions of the sale and purchase agreement dated 21 April 2020 entered into between Kangchen, the Company, NT Pharma International, and NT Pharma Overseas; (ii) the transfer, assignment and novation by the Company of all its rights and benefits under the agreement dated 18 April 2018 entered into between the Company and Pfenex Inc. ("**Pfenex**"), pursuant to which the Company was granted an exclusive distribution right to distribute PF708 in the PRC, Hong Kong, Thailand, Singapore and Malaysia and any ancillary documents as amended and supplemented from time to time, to NT Pharma International upon signing of the assignment and transfer documentations dated 21 April 2020 entered into between Pfenex, the Company and Kangchen; (iii) and the proposed subscription by NT Pharma Pacific Company Limited (泰凌醫藥(亞洲)有限公司) for 40% equity interests in Kangchen (the "**Proposed Transactions**"). The Shareholders have approved the Proposed Transactions during the extraordinary general meeting of the Company held on 24 June 2020. The Proposed Transactions shall complete upon satisfaction of the conditions set out in the Circular. As at the date of this announcement, the First Payment Conditions (as defined in the Circular) have been satisfied. The Company currently expects that the Second Payment Conditions (as defined in the Circular) are to be satisfied soon.

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 2020.

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

PLACING OF BONDS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2020 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 three executive Directors, one non-executive Director 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 2020. 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 2020 (for the six months ended 30 June 2019: nil).

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Pan Fei (Chairman), Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 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, 28 August 2020

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