中国泰凌医药集团
CHINA NT PHARMA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01011

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors	Mr. NG Tit *(Chairman and Chief Executive Officer)* Ms. CHIN Yu Mr. WU Weizhong (resigned on 24 August 2022)
Non-executive Director	Dr. QIAN Wei
Independent Non-executive Directors	Mr. YU Tze Shan Hailson Dr. ZHAO Yubiao Mr. NG Ming Kwan (appointed on 19 January 2023) Mr. PAN Fei (resigned on 19 January 2023)

BOARD COMMITTEES

Audit Committee	Mr. NG Ming Kwan *(Chairman)* Mr. YU Tze Shan Hailson Dr. ZHAO Yubiao
Remuneration Committee	Mr. YU Tze Shan Hailson *(Chairman)* Mr. NG Tit Dr. ZHAO Yubiao
Nomination Committee	Mr. NG Tit *(Chairman)* Mr. YU Tze Shan Hailson Dr. ZHAO Yubiao

AUTHORISED REPRESENTATIVES
Mr. NG Tit
Mr. PANG Wing Hong

COMPANY SECRETARY
Mr. PANG Wing Hong

AUDITOR
Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
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30 Canton Road
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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS
Jun He Law Offices

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Sheung Wan, Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Suzhou, PRC

REGISTERED OFFICE

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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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Email: ir@ntpharma.com

COMPANY'S WEBSITE

http://www.ntpharma.com

STOCK CODE

1011

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China NT Pharma Group Company Limited ("**NT Pharma**") together with its subsidiaries, (the "**Group**"), I hereby present the annual report of the Company for the year ended 31 December 2022.

NT Pharma is a technology-based pharmaceutical company integrated with research and development ("**R&D**"), manufacturing and sales of its own products. With its products covering therapeutic areas including central nervous system ("**CNS**"), oncology and hematology. NT Pharma owns two new National Class 1 drugs, one well-known international innovative brand-name drug and a number of generic drugs. The Group conducts its drug manufacturing through its subsidiaries. The Group owns several sales and distribution and R&D specialists. It also has an extensive sales network in the People's Republic of China ("**China**" or the "**PRC**").

In the year of 2022, the Group devoted much effort to the adjustment and restructuring of its sales model, tightening of cost control and improvement of its financial condition. The overall revenue of the Group for the year ended 31 December 2022 (the "**Year under Review**") decreased by RMB19.6 million to RMB207.1 million, as compared with RMB226.7 million for the corresponding period in 2021. Loss before income tax of RMB54.3 million was incurred for the year ended 31 December 2022, as compared with an operating loss of RMB148.8 million for the corresponding period in 2021. The Group recorded a net loss of RMB66.4 million for the year ended 31 December 2022, as compared with a loss of RMB151.3 million for the corresponding period in 2021, representing a decrease of 56.1% year on year.

The outbreak of novel coronavirus pneumonia ("**COVID-19**") epidemic had a significant impact on the economy. Despite the tremendous downward pressure on China's economic growth, the pharmaceutical industry was able to maintain its growth momentum and the benefits of growing market demand and the government's increased investment in the pharmaceutical industry, which is evolving in the direction of high-quality and innovation-driven development.

I would like to thank all our employees for their hard work in the last financial year. The Group values the unique contribution from every employee. In the meantime, I would like to thank our business partners, customers and shareholders for their loyalty and support during this difficult time.

On behalf of the Board, I would like to thank the Directors, the Shareholders and the employees of the Group for their efforts and dedications and for their support during the year.

Ng Tit
Chairman and Chief Executive Officer

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

OUTLOOK

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

Restructuring and Transformation

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

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

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

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

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

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

The Company has reached preliminary acquisition intentions with healthcare products potential target companies and is in talks with multiple pharmaceutical companies for drug supply cooperation. This will be the core business of the Group after restructuring. The Company's previously invested associate, namely Beijing Kangchen Biological Technology Co., Limited (北京康辰生物科技有限公司) ("**Beijing Kangchen**") and the innovative drug (namely 奧替單體) will continue to operate as investment assets.

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

Gross Profit

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

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

Finance Costs

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

Taxation

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

Loss Attributable to the Owners of the Company

Loss attributable to the owners of the Company for the year ended 31 December 2022 was RMB66.4 million as compared with the loss attributable to the owners of the Company of RMB149.5 million for the corresponding period in 2021. Both the basic and diluted loss per share for the year ended 31 December 2022 were 3.5 RMB cents as compared 7.91 RMB cents for the year ended 31 December 2021.

Capital Expenditure

Total capital expenditure spent for the year ended 31 December 2022 increased by RMB3.9 million to RMB4.5 million, as compared with RMB0.6 million for the corresponding period in 2021, which was mainly used for acquiring property, plant and equipment in Suzhou.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group has no exchange gain for the year ended 31 December 2022, while the net exchange gain of the Group for the corresponding period in 2021 was RMB6.7 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

Interest Rate Exposure

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

Group Debt and Liquidity

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

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

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

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

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

Save as disclosed above, as at 31 December 2022, the Group had other borrowings of RMB476.9 million (2021: RMB460.7 million).

Debt-to-Assets Ratio

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Total debt	**826,454**	832,110
Total assets	**1,005,718**	955,360
Debt-to-assets ratio	**82.2%**	87.1%

Charges on the Group's Assets

As at 31 December 2022, secured bank borrowings comprised of three (2021: three) borrowing with carrying amounts of RMB119,000,000, RMB69,073,000 and RMB160,000,000 (2021: RMB119,000,000, RMB90,448,000 and RMB160,000,000) from a bank in the PRC, which were secured by leasehold land and building with carrying amount of approximately RMB465,000,000 (2021: RMB424,233,000) as at 31 December 2022 and were guaranteed by an executive director of the Company, Mr. Ng Tit.

Capital Commitments

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

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

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

Significant Investments Held

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

Material Acquisition and Disposal

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

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

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

Future Plans for Material Investments and Capital Assets

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

Litigation

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

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

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

(b) On 24 August 2021, a writ of summons was issued by an associate of the Group, Taizhou Medical City Yingtai Pharmaceutical Co., Ltd. (泰州醫藥城盈泰醫藥有限公司), as plaintiff, against certain wholly-owned subsidiaries of the Group, including NT (Beijing) Pharma Technology Development Co., Ltd. (泰凌(北京)醫藥科技開發有限公司), NT Biopharmaceutical Jiangsu Co., Ltd. (泰凌生物製藥江蘇有限公司) ("**NT Biopharmaceuticals Jiangsu**") and Suzhou Diyi Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司) ("**Suzhou First Pharma**"), collectively as defendants. The plaintiff claimed for the outstanding promotional service fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院 and ordered that the defendants were required to pay a sum of approximately RMB63,700,000 plus related costs of approximately RMB4,531,000. Accordingly, a provision for legal claims from the associate amounting to approximately RMB22,157,000 was recognised in consolidated profit or loss for the year ended 31 December 2021.

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

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

As at 31 December 2022, the relevant provision of legal claims amounted to approximately RMB70,721,000 (2021: RMB68,231,000) and included in trade and other payables.

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against certain wholly-owned subsidiaries of the Group, including, Suzhou First Pharma, Guangdong NT Pharma Co., Ltd (廣東泰凌醫藥有限公司), NT (China) Investment Co., Ltd (泰凌(中國)投資有限公司), NT Biopharmaceuticals Jiangsu and NT Pharma (Changsha) Co., Ltd (泰凌醫藥(長沙)有限公司), collectively as defendants. The plaintiff claimed for the repayment of approximately RMB34,911,000 and relevant interest and expenses. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and the defendants, reached a mediation that the defendants agreed to repay the principal amount, related interest and default penalty fee of approximately RMB31,400,000, RMB4,211,000 and RMB2,166,000 respectively, in accordance with the revised and extended schedule to December 2022.

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

(d) On 6 December 2021, a wholly-owned subsidiary of the Group, NT Biopharmaceuticals Jiangsu was served by a writ of summons in 蘇州工業園區人民法院 by a bank in the PRC, for its non-compliance to the terms and conditions of a loan agreement. According to the statement of claim, the bank was pursuing claims against NT Biopharmaceuticals Jiangsu for an immediate repayment of all outstanding loan principal amounts of approximately RMB101,000,000 and the relevant interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

During the year ended 31 December 2022, 蘇州工業園區人民法院 has forced a deduction of the cash deposits of totaling approximately RMB21,375,000 from certain subsidiaries' bank accounts to repaid the loan principal. During the year ended 31 December 2021, the Group has repaid loan principal of approximately RMB10,552,000.

NT Biopharmaceuticals Jiangsu will continue to negotiate with the bank to restructure the due bank borrowings, together with the default interest, with extension of maturity and revised repayment schedule.

(e) On 11 February 2022, a wholly-owned subsidiary of the Group, NT Pharma (Jiangsu) was served by a writ of summons in 江蘇省蘇州市中級人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the statement of claim, the bank is pursuing claims against NT Pharma (Jiangsu) for an immediate repayment of all outstanding loan principal amounts of approximately RMB119,000,000 and the relevant interest.

On 18 May 2022, 江蘇省蘇州市中級人民法院 held a mediation and the plaintiff and the defendant, both parties agreed that the defendant would repay the outstanding loan principal and interest payable on 20 May 2022.

The loan principal and accrued interest have not been repaid up to 31 December 2022. The outstanding principal approximately RMB119,000,000 and accrued interest of approximately RMB7,992,000 included in bank and other borrowings and trade and other payables, respectively.

NT Pharma (Jiangsu) will continue to negotiate with the bank to restructure the due bank borrowing, together with the default interest, with extension of maturity and revised repayment schedule.

(f) On 29 August 2022, a PRC bank filed a lawsuit against Suzhou First Pharma in 蘇州工業園區人民法院, for its non-compliance with the terms and conditions of a loan agreement. According to the statement of claim, the bank is pursuing claims against Suzhou First Pharma for the repayment of all outstanding loan principal amounts of approximately RMB160,000,000 and the relevant interest. Up to 31 December 2022, the trial result is yet to be finalised.

The loan principal and accrued interest have not been repaid up to 31 December 2022. The outstanding principal approximately RMB160,000,000 and accrued interest of approximately RMB7,432,000 included in bank and other borrowings and trade and other payables, respectively.

Suzhou First Pharma will continue to negotiate with the bank to restructure the due bank borrowing, together with the default interest, with extension of maturity and revised repayment schedule.

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

HUMAN RESOURCES

As at 31 December 2022, the Group had 130 full-time employees (2021: 212 full-time employees). For the year ended 31 December 2022, the Group's total cost on remuneration, welfare and social security amounted to RMB25.2 million (2021: RMB32.2 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training. The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards. On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 22 September 2014, and a share award scheme adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDENDS

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

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

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

ACTION PLAN TO ADDRESS DISCLAIMER OPINION

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

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

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

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

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

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

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

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

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

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

NEXT FINANCIAL STATEMENTS

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

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

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

RELATIONSHIP WITH KEY STAKEHOLDERS

Human resources is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance-based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to hospitals and pharmacies through distributors and deliverers. Our suppliers or their sales agents have granted us the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long- term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors, who on-sell the products to hospitals and pharmacies either directly or indirectly through their sub-distributors. The Group maintains stable and long-term relationship with its distributors by providing them guidance, training and support to carry out more targeted field marketing and promotion activities.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ng Tit, aged 59, co-founder of the Group, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since 1995. Mr. Ng was appointed as the Company's executive Director on 1 March 2010, responsible for the overall strategic planning and management of the Group. He has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. Prior to establishing the Group in 1995, Mr. Ng worked for a number of relevant organisations and enterprises. Mr. Ng is a member of Jiangsu Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") of the PRC, deputy director of Jiangsu Committee of Hong Kong, Macau, Taiwan and Overseas (Foreign Affairs) of CPPCC, vice president of Overseas Friendship Association of Jiangsu Province, vice president of Federation of HK Jiangsu Community Organisations and Chairman of China Nation Culture Spread Ltd. (中華民族文化傳播有限公司). Mr. Ng obtained his bachelor degree from Guizhou University in 1986, and an Executive Master of Business Administration ("**EMBA**") from Fudan University (復旦大學) in 2007. He is the spouse of Ms. Chin Yu, who is an executive Director, and the brother-in-law of Dr. Qian Wei, who is a non-executive Director.

Ms. Chin Yu, aged 59, co-founder of the Group. Ms. Chin has been re-designated from non-executive Director to executive Director of the Company since 1 February 2015. Ms. Chin is responsible for the daily operations of NT Pharma (Hong Kong) Co., Ltd. Ms. Chin was appointed as non-executive Director on 1 March 2010. Prior to the establishment of the Group, Ms. Chin was an accounting professional. Ms. Chin worked in Bank of Communications from 1987 to 1993. Ms. Chin is the spouse of Mr. Ng Tit, the Chairman of the Board of Directors and Chief Executive Officer, and the sister of Dr. Qian Wei, a non-executive Director.

NON-EXECUTIVE DIRECTOR

Dr. Qian Wei, aged 66, was appointed as a non-executive Director of the Company on 1 March 2010. Dr. Qian is currently a tenured full professor of Biomedical Engineering, University of Texas, and a fellow of American Institute for Medical and Biological Engineering. He also enrolled the Chinese 1000 Plan as an innovation expert. He is Dean of the Sino-Dutch Biomedical and Information Engineering School of Northeastern University. Dr. Qian was appointed as Allen Henry Endowed Chair Distinguished Professor of Electrical Engineering in the Engineering College at Florida Institute of Technology in 2009. He had previously been an associate professor of Department of Interdisciplinary Oncology at Moffitt Cancer Center, College of Medicine, University of South Florida from 2001 to 2007. Dr. Qian has been given the Stars Award of system research by University of Texas, US in 2008, Award for Outstanding Research Achievements by American Cancer Society in 2000. Dr. Qian received Martrin Silberg Cancer Research Award for outstanding achievements for two consecutive years in 1994 and 1995. He obtained his doctorate of Biomedical Engineering at Southeast University in 1990. He was a Postdoctoral Research Associate of University of Notre Dame in 1992 and of University of South Florida in 1994. Dr. Qian is the brother of Ms. Chin Yu, an executive Director and the brother-in-law of Mr. Ng Tit, the Chairman and Chief Executive Officer of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tze Shan Hailson, aged 66, was appointed as an independent non-executive Director of the Company on 29 June 2017. He was graduated from the University of Calgary with a bachelor degree in Electrical Engineering in 1979, graduated from the University of Hong Kong with a master degree in Electrical Engineering in 1987, graduated from City University of Hong Kong with a master degree of law in Arbitration and Dispute Resolution in 1995 and completed the postgraduate diploma in Investment Management and postgraduate certificates in Hong Kong Laws and Traditional Chinese Medicine courses.

Mr. Yu served as equipment maintenance and testing engineer, equipment maintenance and testing laboratory manager, computer engineering and system engineering manager of Ampex Ferrotec Limited (Hong Kong) successively from June 1979 to September 1987. Mr. Yu joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited and served as general manager of engineering research and development department and consultant of Petroleum Development and LPG Tank Terminal Port successively from October 1987 to January 1998. He has been serving as deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong since February 1998 till now.

Mr. Yu has been serving as an independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited (formerly known as Winteam Pharmaceutical Group Limited) (stock code: 570), since November 2013 and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 2196) since June 2021, Mr. Yu was an independent non-executive director of Sinopharm Group Co. Ltd. (stock code: 1099) from September 2014 to September 2020. All are companies listed on the Stock Exchange of Hong Kong.

Mr. Yu currently is a Chartered Engineer, fellow of each of the Institute of Electrical Engineers, Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators.

Dr. Zhao Yubiao, aged 52, was appointed as an independent non-executive Director of the Group on 31 December 2019. He obtained his doctorate degree in economics from Jilin University in June 2013. From June 1990 to April 1996, he served as the manager of accounting department and trading department of the securities business department of Jilin Trust Investment Company (Shanghai branch); from April 1996 to December 2000, he served as the general manager of the securities business department of Jilin Trust Investment Company (Hongshan Road branch, Shanghai); from December 2000 to December 2002, he served as the general manager of Shanghai Jinluda Investment Management Co., Ltd.; from December 2002 to May 2017, he served successively as the general manager, vice chairman and chairman of Tianzhi Fund Management Co., Ltd.; from May 2018 to present, he has been serving as the assistant to the chairman of Zhejiang Nandu Power Supply Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300068); from May 2019 to present, he has been serving as an independent director of Huafon Microfibre (Shanghai) Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300180).

Mr. Ng Ming Kwan, aged 45, was appointed as an independent non-executive Director of the Group on 19 January 2023. He has over 20 years of experience in financial management, accounting and corporate finance. He obtained a Bachelor of Business Administration degree from Richard Ivey School of Business, University of Western Ontario in 2000. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a Chartered Professional Accountants of Canada and a Certified Management Accountants of Canada. Mr. Ng has been the chief financial officer of Milestone Builder Holdings Limited (stock code: 1667), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since March 2021.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Company to formulate its business strategies and policies, and manage and lower the associated risks through effective internal control procedures. It will also enhance the transparency of the Company and strengthen the accountability to its shareholders and stakeholders.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") and certain recommended best practices. The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 December 2022, save as disclosed below and in this corporate governance report:

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit ("**Mr. Ng**") 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.

Mr. Ng Tit is the main founder of the Group and he is responsible for the overall strategic planning and management of the Group. He has played an important role during the Group's expansion. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Ng to be both the chairman and chief executive officer as it helps to facilitate the Board's decision-making.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to the Directors, it is confirmed that all Directors have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the period from 1 January 2022 to 31 December 2022, the Board had at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors representing at least one-third of the Board.

The Company has received annual confirmations from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all existing independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules and are free of any relationship that could materially interfere with the exercise of their independent judgments.

THE BOARD

The Board is responsible for achieving corporate goals, formulating development strategy, reviewing the organizational structure, monitoring business activities and performance of management and determining the policy for corporate governance of the Company so as to protect and maximize the interests of the Company and the shareholders as a whole. Matters relating to the daily operations of the Group are delegated to management. During the Year under Review, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from management. The Board also reviewed and approved the final results for the year ended 31 December 2022 and other critical business operations. The Board also assessed the internal control and the financial matters of the Group.

Board Composition

The Board composition for the year ended 31 December 2022 and up to the date of this report are as follows:

Executive Directors

Mr. Ng Tit *(Chairman and Chief Executive Officer)*
Ms. Chin Yu
Mr. Wu Weizhong (resigned on 24 August 2022)

Non-executive Director

Dr. Qian Wei

Independent Non-executive Directors

Mr. Yu Tze Shan Hailson
Dr. Zhao Yubiao
Mr. Ng Ming Kwan (appointed on 19 January 2023)
Mr. Pan Fei (resigned on 19 January 2023)

As at the date of this annual report, the Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The members of the Board possess diverse and rich industry backgrounds with appropriate professional qualifications. Please refer to the section headed – "Biographical Details of Directors".

To the best knowledge of the Board, save as disclosed in the section headed "Biographical Details of Directors", there is no financial, business, family or other material/relevant relationship among members of the Board. Board members are free to exercise their independent judgment.

Under code provision A.4.1 of the Code contained in Appendix 14 to the Listing Rules, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors were appointed for a term of three years, subject to re-election when appropriate by the Company in general meeting.

Board Diversity Policy

To demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a Board Diversity Policy in August 2013 to comply with the code provision A.5.6 of the Code on board diversity. The policy is as follows:

Purpose

This policy aims to set out the approach to achieve diversity on the Board.

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the board level as an essential element in maintaining the Company's competitive advantage.

The Company believes that greater diversity of directors is good for corporate governance and is committed:

- to attract and retain candidate(s) for the Board with a combination of competencies from the widest possible pool of available talent;
- to maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives;
- to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any;
- to ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered;
- to set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions; and
- to ensure that changes to the Board's composition can be managed without undue disruption.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Review of this Policy

The Board will review this policy on a regular basis to ensure its continued effectiveness.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(C) at least 70% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and

(D) at least two of the members of the Board shall have China-related work experience.

The Board is of the view that its diversity level is appropriate in terms of gender, age, cultural and educational background, professional experience, skills and knowledge of the Directors. However, the Board will continue to observe the Board Diversity Policy and consider potential candidates against the objectives set out in the Board Diversity Policy in order to achieve diversity on the Board.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, whenever required. The Company will convene at least four regular meetings every year. In 2022, the Company convened four regular Board meetings. The attendance records of the regular Board meetings held during the year ended 31 December 2022 are set out below:

Name of Directors	Meeting attendance/ number of regular meetings	Attendance rate (%)
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	10/10	100%
Ms. Chin Yu	10/10	100%
Mr. Wu Weizhong (resigned on 24 August 2022)	5/5	100%
Non-Executive Director		
Dr. Qian Wei	10/10	100%
Independent Non-Executive Directors		
Mr. Yu Tze Shan Hailson	10/10	100%
Dr. Zhao Yubiao	10/10	100%
Mr. Ng Ming Kwan (appointed 19 January 2023)	N/A	N/A
Mr. Pan Fei (resigned on 19 January 2023)	10/10	100%

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board committee meetings, reasonable notice is generally given. The agendas and accompanying Board papers are given to all Directors in a timely manner.

All Directors have full and timely access to all relevant information and the advice of the company secretary, to ensure that Board procedures and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

The minutes of all Board committee meetings are kept by the Company at its Hong Kong office. Draft and final versions of the minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

Training for Directors

For each newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

During the year ended 31 December 2022, the Company circulated materials relevant to the Director's duties and responsibilities to Directors and management of the Company for their reading and reference.

A summary of the reading record and attending external seminars/briefings of the Directors for the year ended 31 December 2022 and up to the date of this report are as follows:

	Reading regulatory update	Attending external seminars/ briefings
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	✓	✓
Ms. Chin Yu	✓	✓
Non-executive Director		
Dr. Qian Wei	✓	✓
Independent Non-executive Directors		
Mr. Yu Tze Shan Hailson	✓	✓
Dr. Zhao Yubiao	✓	✓
Mr. Ng Ming Kwan	✓	✓

Directors' and Senior Officers' Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2022, no claim has been made against the Directors and senior officers.

Board Committees

The Board has set up three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Board Committees**"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Board established the Audit Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, it is chaired by Mr. Ng Ming Kwan and comprises two other members, namely Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, all of whom are independent non-executive Directors.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements, oversee and provide advice in respect of the financial reporting system, oversee the internal control procedures and perform the corporate governance duties of the Company.

The Audit Committee is responsible for performing the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to Directors;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

During the year ended 31 December 2022, the Audit Committee convened the following meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Ming Kwan *(Chairman and appointed on 19 January 2023)*	N/A	N/A
Mr. Pan Fei *(Chairman and resigned on 19 January 2023)*	3/3	100%
Mr. Yu Tze Shan Hailson	3/3	100%
Dr. Zhao Yubiao	3/3	100%

During the Year under Review, the Audit Committee together with the management of the Company reviewed the Code, the accounting principles and practices adopted by the Group and discussed the Group's internal control, risk management and financial reporting matters, including a review of the annual results for the year ended 31 December 2021 and the interim results for the six months ended 30 June 2022, with recommendation to the Board for approval. The Audit Committee has also recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Moore Stephens CPA Limited ("**Moore Hong Kong**") be re-appointed as the external auditor of the Company.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, Mr. Yu Tze Shan Hailson, an independent non-executive Director, is the chairman of the Remuneration Committee. Dr. Zhao Yubiao, an independent non-executive Director, and Mr. Ng Tit, an executive Director, are the other two members of the Remuneration Committee.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of Directors and senior management, as well as the retirement scheme and the performance assessment system and bonus and commission policies of the Company.

The remuneration of Directors is based on their skills, knowledge, performance of the Company, industry benchmarks and prevailing market conditions. No Director or senior management will be involved in any discussion in connection with his or her own remuneration. The Remuneration Committee may also consult with the chairman on its proposals relating to the remuneration of other executives and Directors and has access to professional advice if required. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high caliber team which is essential to the success of the Company.

During the year ended 31 December 2022, the Remuneration Committee convened the following meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Yu Tze Shan Hailson *(Chairman)*	2/2	100%
Mr. Ng Tit	2/2	100%
Dr. Zhao Yubiao	2/2	100%

During the Year under Review, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company, and offered advice on the same to the Board.

Pursuant to code provision E.1.5. of the Code, the remuneration by band of the senior management for the year ended 31 December 2022 are set out below:

Remuneration band (RMB)	Number of individuals
0 – 1,000,000	3
1,000,001 – 2,000,000	1
2,000,001 – 3,000,000	0
3,000,001 – 4,000,000	0
4,000,001 – 5,000,000	0
5,000,001 above	0

NOMINATION COMMITTEE

The Board established the Nomination Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Currently, it is chaired by Mr. Ng Tit, an executive Director, and comprises two other members, namely Dr. Zhao Yubiao and Mr. Yu Tze Shan Hailson, both of whom are independent non-executive Directors.

The primary functions of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The duties of the Nomination Committee also include reviewing the structure, number and composition of the Board; submitting proposals to the Board on the appointment of the chief executive officer and director; reviewing the independence of the independent non-executive Directors and submitting proposals to the Board. The authority and duties of the Nomination Committee are clearly set out in its terms of reference.

During the year ended 31 December 2022, the Nomination Committee convened the following meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Tit *(Chairman)*	2/2	100%
Mr. Yu Tze Shan Hailson	2/2	100%
Dr. Zhao Yubiao	2/2	100%

During the Year under Review, the Nomination Committee has reviewed the structure, size and diversity (including the skills, knowledge, experience, gender, cultural and educational background) of the Board, considered the proposed appointment of director, conducted performance evaluations to assess whether the non-executive Directors have spent enough time in fulfilling their duties, assessed the independence of independent non-executive Directors, and kept under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.

A "Nomination Policy" for Directors was formally adopted and the nomination procedures, process and criteria to select and recommend candidates for directorship was set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of directors of the Company; (ii) ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

NOMINATION PROCESS

Appointment of New Director

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

ii. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

iii. If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

iv. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

v. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

i. The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

ii. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

iii. The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

INTERNAL AUDIT

The Internal Audit ("**IA**") of the Group is designed to help the Group protect its assets and information. The presence of IA empowers the Group to implement best business practices in challenging business environments. The Group's IA covers a number of in-house procedures and policies including, among others, the relevant financial, operational and compliance controls and risk management procedures. IA carries out systematic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. The frequency of review of individual business unit or subsidiary is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. IA has unrestricted access to all parts of the business, and direct access to any level of management including the chairman, or the chairman of the Audit Committee, as it considers necessary. The audit result is discussed and agreed with the management of the Group subsequent to each review. A summary of major audit findings together with the actions to be taken by the Group's management for rectifying the control weaknesses is also submitted to the Audit Committee. The implementation of the remedial actions will then be followed up and the implementation progress will be reported to the Audit Committee each time it meets.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control and reviewing its effectiveness. The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management rather than elimination of risks associated with its business activities. During the year 2022, the Board, through the Audit Committee, reviewed the effectiveness of the Group's risk management and internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. In accordance with the Code requirements, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year ended 31 December 2022. In addition, IA conducts regular and independent reviews of the effectiveness of the Group's risk management and internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's risk management and internal control system and reports to the Board on such reviews. To ensure the highest standard of integrity in our businesses, the Group has adopted a "Code of Conduct" defining the ethical standards expected of all employees. Training courses on the "Code of Conduct" are held regularly for all employees.

The Board is not aware of any significant internal control weaknesses nor significant breach of limits or risk management policies.

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

Information Disclosure System

The Group has formulated its information disclosure system, to ensure the identification and confidentiality of potential inside information until it is disclosed according to the Listing Rules in a consistent and timely manner. The procedures for publishing and processing inside information include:

- Business department managers as the people in charge of information reporting;
- Senior management as the people in charge of the information confidentiality of their respective business segments;
- The Board as the party in charge of information disclosure; and
- The Investor Relations Department as the parties responsible for managing information disclosure, the reporting, audit and disclosure of information which needs public announcement, and archiving and keeping such information disclosure documents and announcements.

Economic Environment and Conditions

Substantially all of our operations are located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and could otherwise materially and adversely affect our business, operations or competitive position.

Product Concentration

We are largely dependent on sales of our two core products, Shusi and Zhuo'ao. If we are unable to maintain the sales volumes, pricing levels and profit margins of these core products, our revenue and profitability could be adversely affected.

Market Environment

We operate in a highly competitive environment and we may not be able to compete effectively against current and future competitors. Our inability to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and profit margins.

Provincial Tendering

In each province where we market our products, we are required to participate in a government-sponsored competitive bidding process every year or every few years. During the provincial tendering process, we and our competitors submit pricing and other product information to local pricing bureaus for selection, which is based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder. For each product category, a local pricing bureau will permit a limited number of products for sale in the relevant province or local district.

We may fail to win bids in a provincial tendering process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price or local protectionism. We may also win bids at low prices that will limit our profit margins. There can be no assurance that our bids will enable us to win the tendering process and maintain our market share without compromising our profitability. In addition, we may lose in the tendering process because the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive.

New Product

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products through our research and development activities. The development process of pharmaceutical products in general, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remunerations paid or payable to the Group's auditor, Moore Hong Kong, in respect of their audit and non-audit services are as follows:

	For the year ended 31 December 2022 RMB'000
Audit services	1,380
Non-audit services	26

COMMUNICATION WITH SHAREHOLDERS

The Company believes that the annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. Separate resolutions are proposed for each substantially separate issue at the annual general meeting. In accordance with the Listing Rules, voting by poll is mandatory at all general meetings except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedure or administrative matter to be voted on by a show of hands. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day of the general meeting.

The Company has reviewed the Shareholders' communication policy and believes that the Company has provided investors with multiple channels for investors to understand the Group's business and operations, as well as channels for investors to express their opinions and comments. The Company also actively responded to the feedback from investors. Based on this, the Company believes that the Shareholders' communication policy implemented during the Year is sufficient and effective.

During the Year under Review, an annual general meeting of the Company was held on 30 June 2022 and the attendance record of the Directors is set out below:

Name of Directors	Meeting attendance/ number of meetings
Executive Directors	
Mr. Ng Tit	1/1
Ms. Chin Yu	1/1
Mr. Wu Weizhong (resigned on 24 August 2022)	1/1
Non-executive Directors	
Dr. Qian Wei	1/1
Independent Non-executive Directors	
Mr. Yu Tze Shan Hailson	1/1
Dr. Zhao Yubiao	1/1
Mr. Ng Kwan Ming (appointed on 19 January 2023)	N/A
Mr. Pan Fei (resigned on 19 January 2023)	1/1

FAIR DISCLOSURE

The Company uses its best endeavors to distribute material information about the Group to all interested parties as timely as possible. Information about the Group can be found on the Company's website including descriptions of each business and the interim and annual reports of the Company.

FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements which give a true and fair view of the Group's affairs and of its results and cash flows for the year 2022 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The Directors of the Company endeavor to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the Group's results of operations and financial position. The responsibilities of the external auditor with respect to the audit of financial statements are set out in the section headed "Independent Auditor's Report" in this report.

The Directors confirm that, save as disclosed in the Independent Auditor's Report of this report, to the best of their knowledge, information and belief, having made all reasonable enquiries, saved as disclosed in the independent auditor's report under the heading "Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements". The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are set out in note 2(b) to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, including:

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

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

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

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

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

The successful outcomes of the above-mentioned plans and measures are subject to multiple uncertainties.

These conditions, together with other matters described in note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Our auditor do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of the Independent Auditor's Report, our auditor have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, our auditor is of the opinion that the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance. Save as disclosed above, the Directors are not aware of any other events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Notwithstanding the foregoing, the Directors have prepared the consolidated financial statements on a going concern basis, taking into consideration the various factors set out in the section headed "The views of the management and the Audit Committee on the disclaimer of opinion relating to going concern" of this annual report.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditor of this annual report.

COMPANY SECRETARY

Mr. Pang Wing Hong was appointed as the Company Secretary of the Company since 23 October 2020. Mr. Pang has assisted on the company secretarial matters of the Company, during the year.

In compliance with Rule 3.29 of the Listing Rules, Mr. Pang has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2022.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2022.

On 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix 3 to the Listing Rules. Furthermore, the Company proposes to modernize and provide flexibility to the Company in relation to the conduct of general meetings. As such, the Board proposes to amend the Memorandum and Articles of Association for the purposes of, among others, (i) bringing the Memorandum and Articles of Association in line with amendments made to the Listing Rules and the applicable laws of the Cayman Islands; (ii) allowing a general meeting to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; and (iii) making certain minor house-keeping amendments to the Memorandum and Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the Proposed Amendments, subject to the passing of the special resolution, with effect from the conclusion of the annual general meeting.

DIVIDEND POLICY

On 24 January 2019, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value subject to the applicable laws and the articles of association of the Company.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to the articles of association of the Company, general meetings shall be convened on the written requisition of any one or more members of the Company to the Directors or secretary of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

If a member, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating member) to stand for election as a Director, he or she should lodge at the principal place of business of the Company in Hong Kong or at the registered office of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected and including such person's biographical details and written consent to the publication of his/her personal data. The minimum length of period, during which such notice(s) are given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior the date of such general meeting.

ENQUIRIES TO THE BOARD

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at 28th Floor, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong (Email: ir@ntpharma.com).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the seventh Environmental, Social and Governance Report (the "**ESG Report**") issued by China NT Pharma Group Company Limited (the "**Company**" or "**NT Pharma**", together with its subsidiaries, the "**Group**" or "**we**") to report to stakeholders on the Group's management approach and performance in environmental, social and governance ("**ESG**") aspects for 2022. For information on corporate governance, please refer to pages 20 to 37 of this Annual Report.

CORPORATE PRINCIPLE

NT Pharma is an international technology-based pharmaceutical company integrated with research and development ("**R&D**"), manufacturing and sales of its own products. With its products covering therapeutic areas including central nervous system ("**CNS**"), osteology, oncology and hematology. NT Pharma owns National Class 1 drugs and a number of generic drugs. The Group owns several sales and distribution companies and R&D specialists and has an extensive sales network in the People's Republic of China ("**China**" or "**PRC**").

REPORTING GUIDELINES AND PRINCIPLES

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules on the Main Board of The Stock Exchange of Hong Kong Limited and the Group's actual situation and based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". The contents and information disclosed herein are based on the internal records and files of the Group.

REPORTING BOUNDARY AND REPORTING PERIOD

The criteria for the boundary of this report are set at the operations in Hong Kong headquarters and the operations in Jiangsu province which account for approximately 100% of the Group's total revenue. The reporting period of this report is from 1 January 2022 to 31 December 2022.

FEEDBACK

The Group remains committed to improving its ESG disclosure and welcomes your feedback and suggestions on this report or our performance in sustainable development by email to contact@ntpharma.com.

SUSTAINABILITY GOVERNANCE

Board Statement

The Board is responsible for overseeing the Group's opportunities and risks in sustainable development and ensuring that ESG initiatives are in line with its growth strategy. The Group actively integrates sustainable development principles into its daily management and operations through the establishment of a core governance framework and timely implementation of appropriate measures. The Group has set a series of environmental targets to support energy conservation, emissions reduction, and waste management initiatives, and the Board regularly monitors progress towards these targets. The Group aims to align with the national vision of carbon neutrality and enhance its corporate reputation.

The Board has reviewed and approved this report, confirming the accuracy, truthfulness, and completeness of its contents. To the best of their knowledge, this report has objectively outlined the materiality analysis process and the Group's management practices and performance on material issues.

Governance Structure

The Group's ESG governance structure consists of the Board and the ESG Taskforce (the "**Taskforce**"). The Board is responsible for the Group's ESG strategy deployment, and with the support of the Taskforce, oversees significant ESG-related matters, including but is not limited to the ongoing assessment of the Group's ESG management approach, risks and opportunities, sustainability objectives and strategies, as well as ensuring the effectiveness of the risk management system and internal control mechanisms.

The Taskforce consists of core members from different departments and is responsible for preparing the annual ESG report, including the collection of relevant data and information. The Taskforce reports to the Board on the implementation of ESG strategies, progress made towards the Group's ESG goals, and assists in identifying ESG-related risks and evaluating the effectiveness of internal control mechanisms. In addition, the Taskforce regularly reviews the Group's performance in different aspects such as environmental management, safety production, labour standards, and product responsibility.

Stakeholder Communication

In pursuing its sustainability philosophy, the Group actively adheres to the reporting principle of "materiality" and maintains close communication with stakeholders, including but not limited to investors and shareholders, government and regulatory bodies, suppliers, employees, and customers through multiple communication channels to identify issues that have a significant impact on the long-term success of the Group in environmental, social, and governance aspects, including product quality, supplier management, anti-corruption, and environmental management. The Group discloses its management approach in this report and responds to the concerns of stakeholders.

Stakeholder Groups	Communication Channels	Issues of Concern
Investors and shareholders	• Annual general meetings • Financial reports • Announcements and circulars • Investor conferences	• Timely announcement of the latest corporate information • Financial performance • Corporate sustainable development
Government and regulatory bodies	• Regular conference • Regular performance report • On-site inspection	• Comply with relevant laws and regulations • Corporate social responsibility
Suppliers	• Supplier management conferences and events • Supplier on-site audit management and payment	• Fair competition • Business ethics and reputation • Win-win cooperation
Employees	• Employee opinion survey • Intranet	• Health and safety • Equal opportunity • Remuneration and benefits • Career development
Customers	• Customer satisfaction survey and feedback form • Customer service center • Customer service manager	• Carry out products and services responsibility • Protect customers' information and privacy
Communities, NGOs and the media	• Public and community events and partnership projects on different topics • ESG reports	• Contribute to the society • Environmental protection • Compliance operation

ENVIRONMENTAL MANAGEMENT

The Group is committed to promoting a sustainable mode of operation by taking actions, strictly complying with relevant environmental laws and regulations[1] in the places where it operates, and building a sound environmental management system that comprehensively covers the Group's emissions and resource consumption management, among other environmental initiatives.

Resources Consumption

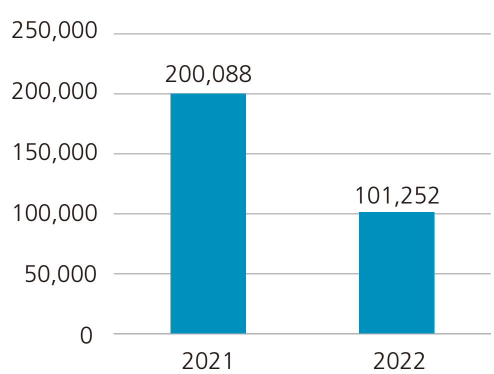
Adhering to the philosophy of "Clean Production, Energy Saving and Emission Reduction", the Group continuously optimizes its energy use and management policies. Through measures such as targeted management of major energy-consuming equipment and standardised equipment operation procedures, the Group minimises resource consumption and improves energy utilisation while ensuring efficient operations, promoting the Group's sustainable development.

Water Resource Management

The Group follows national laws and regulations to protect and reasonably utilise water resources, implementing water control management and continuously improving employee awareness of water conservation. The Group's total water consumption for the year was 101,252 cubic meters[2], with the water consumption intensity of 488.92 m^3/million RMB revenue, as the Group uses tap water for its operations.

To enhance the water conservation promotion, we have posted "water-saving" signs in the pantry and washroom to guide employees in water conservation. Also, we regularly maintain and repair the water supply system to prevent leakage of faucet or water pipes that would increase water consumption.

Water consumption (m^3)



During the year, the Group did not encounter any problem in sourcing water that was fit for its purpose.

Packaging Materials Management

The packaging materials mainly used in the Group's operations include user manual, bottle labels, carton, and penicillin bottles. The Group has established a "Material Requirement Planning Management Procedure" to equip the required materials based on the actual production plan.

Packaging material consumption	**2022[3]**	2021
Polyvinyl Chloride (PVC) (tonnes)	**–**	25.90
User manual (thousand sheets)	**8,928.60**	25,071.86
Bottle label (thousand sheets)	**19,445.11**	46,796.32
Carton (thousand pieces)	**8,928.60**	8,697.42
Large box (thousand pieces)	**44.64**	147.50
Large box (thousand pieces)	**19,445.11**	61,360.54
Rubber stopper (thousand pieces)	**19,445.11**	42,293.14
Aluminum-plastic cap (thousand pieces)	**19,445.11**	44,066.53

1 Please refer to the Laws and Regulations section for environmental management related laws and regulations of this report
2 The significant decrease in water consumption for the year compared to 2021 was due to the shortened production cycle
3 The significant decrease in packaging material consumption for the year compared to 2021 was due to the shortened production cycle

Management Measures for Printing Packaging Materials	Bottle labels and user manuals are stored in specific counters or warehouses and managed by designated personnel.
	Unqualified packaging materials are stored in warehouses for unqualified items.
	Except for inspection and sampling, all incoming packaging materials are approved for release by the Quality Department and labeled with a green conformity label or a restricted release label before they can be released from the warehouse.
	Expired or discarded packaging materials are destroyed with records.

CLIMATE CHANGE

The Group is aware of the risks and opportunities posed by climate change and has developed policies to address climate-related issues, so as to manage the impact of its operations on the environment.

Physical Risks

As a pharmaceutical company committed to promoting healthy living, the Group recognises that a series of extreme weather and natural disaster risks caused by climate change, such as rising sea levels, sustained high temperatures, typhoons, and heavy rainfall, will have an impact on the Group's daily operations and employee safety, resulting in long-term potential risks. Therefore, we have developed precautionary and contingency measures to protect the safety and health of our employees in the event of a sudden disaster. For employees residing in areas prone to extreme weather, we adjust their work arrangements and provides necessary assistance to ensure their safety. Additionally, the Group actively explores new business models to reduce, change, or avoid additional operating costs and accidents caused by climate change, mitigating the impact of climate change on its operations.

Transition Risks

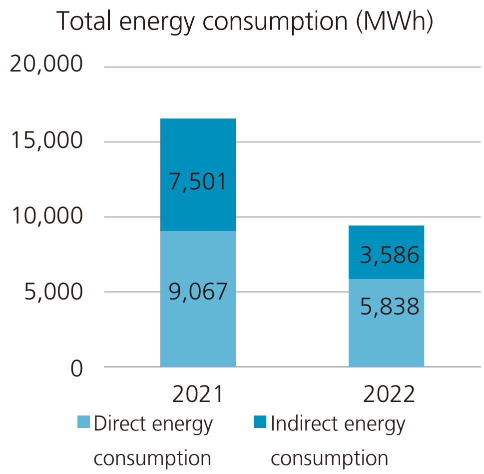
The Group continues to monitor the latest climate-related laws and regulations and their impact on the industry. With the global vision of carbon neutrality, China has made commitments to achieving carbon peaking by 2030 and carbon neutrality by 2060, further limiting greenhouse gas (GHG) emissions from companies. Stricter environmental laws and regulations may expose enterprises to higher policy risks. Failure to comply with climate change compliance requirements may also affect the corporate reputation, related capital investments, and compliance costs of an enterprise. Therefore, the Group regularly monitors existing and emerging trends, policies, and regulations related to climate change and be prepared to alert the top management when necessary to avoid cost increments, non-compliance fines, or reputation risks due to delayed response.

Climate-related Opportunities

Global climate change has created environments for the survival and spread of many diseases, posing numerous challenges to public health. Currently, the risks posed by climate change and the trend of an aging population have prompted many consumers to pay attention to the development of the pharmaceutical industry and drugs for preventing or responding to sudden outbreaks, thus presenting new opportunities for the Group's future pharmaceutical research and development.

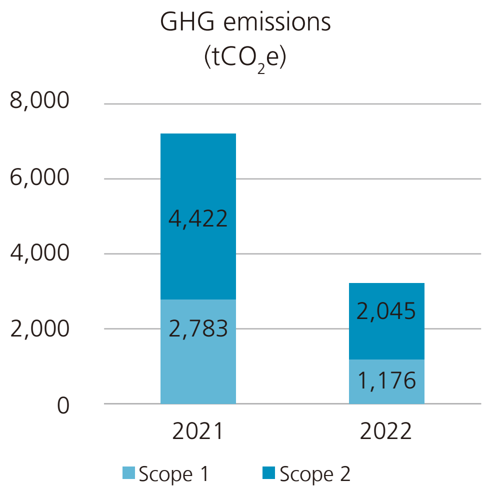
Energy Consumption

The Group's daily operations involve energy consumption in the form of gasoline, diesel, natural gas (direct energy), and purchased electricity (indirect energy). During the year, the Group's total energy consumption was 9,423.81 MWh[4], with an intensity of 45.51 MWh/million RMB revenue. Direct energy consumption was 5,837.86 MWh, while indirect energy consumption was 3,585.95 MWh.



GHG Emissions

The Group's direct GHG emissions come from the use of refrigerant in the manufacturing plants, consumption of natural gas by boilers, and the consumption of gasoline and diesel for vehicles. Indirect GHG emissions come from purchased electricity. During the year, the Group's direct GHG emissions were approximately 1,176.08 tCO_2e, while indirect GHG emissions were approximately 2,045.06 tCO_2e. The total GHG emissions were approximately 3,221.15 tCO_2e[5], with an intensity of 15.55 tCO_2e/million RMB revenue.



4 The significant decrease in total energy consumption for the year compared to 2021 was due to a reduction in the consumption of diesel and electricity

5 The significant decrease in GHG emissions for the year compared to 2021 was due to a reduction in the consumption of natural gas, diesel, and electricity

Energy saving performance management

- Calculating the energy consumption per unit output value using to the actual energy consumption and the output value of each department in the previous year, and then use this value to propose a reduction ratio as a reduction target for each department
- Formulating the departmental energy-saving targets and working methods for every departments, based on the energy saving target issued, the actual energy consumption of the previous year and the annual production plan, etc.
- Investigating the causes for the incomplete conservation plan, formulating related countermeasures, and supervising the implementation of the assessment measures

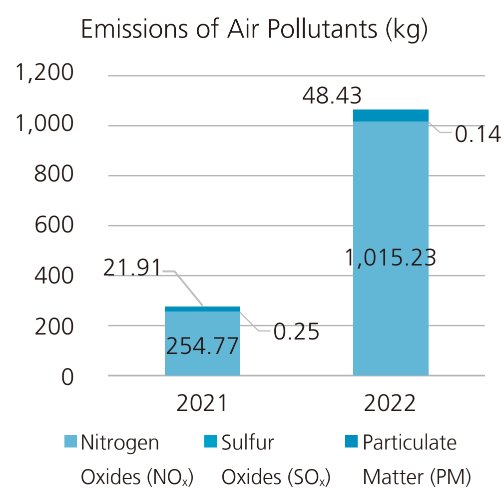
Requirements on the energy conservation and emission reduction

- Turning off the electricity when the office and factory are not operating
- Turning on the electric appliance based on the actual needs during working hours, including illumination facility, air- conditioning, electrical fan, etc.
- Regulating the usage of air-conditioning, set and fix the office temperature at 25°C and less than 20°C in summer and winter respectively
- Strengthening maintenance and repair of equipment to maintain the optimal performance of various electronic equipment and efficiency in energy usage

Emission Control

Emissions of Air Pollutants

The Group's emissions of nitrogen oxides (NO_x), sulfur oxides (SO_x) and particulate matter (PM) mainly come from the combustion of fuels in factory and vehicle equipment during operations. During the year, the Group's operations generated a total 1,015.23 kg of nitrogen oxides (NO_x), 0.14 kg of sulfur oxides (SO_x), and 48.43 kg of particulate matter (PM)[6], all of which were in compliance with the emission permit requirements.



In addition, to minimise dust emission at the operation site, the dust generated from raw material crushing, screening and pressing is removed by bag filters, meeting the class II standard in the "Emission Standard of Air Pollutants for Pharmaceutical Industry" and the "Integrated Emission Standard of Air Pollutants" in the PRC.

6 The significant increase in emissions of nitrogen oxides (NO_x) and soot for the year compared to 2021 was due to the change in the product mix in the Group's manufacturing workshop

In order to reduce the emission of air pollutants arising from the use of natural gas, the Group has installed ventilation and deodorisation devices at the gas outlet of natural gas and set an appropriate hygienic distance to meet the "Emission Standard of Air Pollutants for Boiler (GB13271-2014)" and the total quantity control requirements before emission.

Wastewater and waste

The wastewater generated by the Group is mainly from production wastewater and domestic wastewater generated by employees' daily lives. During the year, the Group discharged 3.23 tonnes of chemical oxygen demand (COD) and 0.03 tonnes of ammonia nitrogen pollutants in its wastewater. We continue to regulate the wastewater treatment process, and the wastewater is discharged after treatment at the main discharge outlet and incorporated into the municipal pipe network. In order to ensure that the wastewater discharged and ammonia nitrogen emissions meet the three-level standard limit requirements under the "Integrated Wastewater Discharge Standard" of the PRC and the B-level standard limit requirements under the "Wastewater Quality Standards for Discharge to Municipal Sewers" and other discharge standards, in addition to regular treatment, Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First**") engages an independent third-party professional testing institution to install testing devices at the total drainage outlet and issue a report on a quarterly basis to the National Environmental Protection Agency.

Hazardous waste generated by the Group during the production process mainly includes scrap medicines and waste organic solvents. During the year, the Group generated a total 4.60 tonnes of hazardous waste[7], and the emission intensity of hazardous waste was 0.02 tonnes/million RMB revenue, representing a decrease of 10.31 tonnes compared to 2021.

Type of hazardous wastes	Unit	2022	2021
Scrap medicines	tonnes	3.36	13.38
Waste organic solvent	tonnes	1.13	1.43
Hazardous waste transport packages	tonnes	0.11	0.10
Total hazardous wastes disposal	tonnes	4.60	14.91

The Group continues to regulate its waste management to ensure efficient and safe disposal of waste. We strictly comply with relevant laws and regulations[8] and have formulated policy documents such as the "Hazardous Waste Source Classification System", "Hazardous Waste Labelling System" and "Responsibility System for Pollution Prevention and Control". Through the establishment, implementation, maintenance and continuous improvement of these procedures, the Group strives to improve its waste management. In addition, the Group has strengthened its management of hazardous waste labeling, requiring that hazardous waste containers and packaging shall have hazardous waste identification labels. Facilities and premises for collecting, storing, transporting, utilising, and disposing of hazardous waste shall also have hazardous waste identification labels.

7 The significant decrease in the amount of scrap medicines generated for the year compared to 2021 was due to the shortened production cycle during the year

8 For laws and regulations related to wastewater and waste discharge, please refer to the Laws and Regulations section

Hazardous Waste Management System

Classification management

- Avoid storing incompatible hazardous waste together
- Hazardous waste and general solid waste shall not be stored in the same area
- Solid hazardous waste that is easily hydrolyzed or volatile shall be tightly packaged and stored in a designated area
- Different categories of hazardous waste shall be stored in separate zones, with intermediate separation aisles or partition walls in between

Storage management

- The storage and construction of facilities for flammable and explosive hazardous waste shall refer to the relevant provisions of the "Fire Prevention Code of Petrochemical Enterprise Design". Environmental pollution prevention and control facilities such as containment walls (firewalls), diversion trenches, and emergency response pools shall be installed, and equipped with fire-fighting equipment

In terms of the transfer of hazardous waste, the Company strictly implements its responsibility for pollution prevention and control during transfer. The EHS manager is responsible for the transfer of hazardous waste, and qualified disposal and transportation units are engaged to carry out the transfer and disposal of hazardous waste. The responsibilities of the transfer and disposal units are clearly defined, and online management plans and transfer documents are established to record the transfer of hazardous waste accurately.

The non-hazardous waste generated from the production and operation of the Group mainly includes office waste, waste cartons, and paper. During the year, the Group generated a total of 22 tonnes of non-hazardous waste, and non-hazardous waste emission intensity was 0.11 tonnes/million RMB revenue. We strive to control waste generation at the source by promoting environmental education and publicity, implementing waste classification in various departments, and taking other measures. In addition, the Group actively promotes green office practices, such as double-sided use of office paper, centralized collection of waste paper and scrap boxes, and the use of online platforms to disseminate information, in order to minimise waste generation and eliminate unnecessary resource waste.

During the year, the Group strictly complied with laws and regulations and did not record any cases of violations related to the exhaust gases and GHG emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste.

Noise Control

Plant noise is one of the most important factors affecting the quality of urban sound environment. The noise generated by the Group is primarily from boiler, air compressors, vacuum machines, crushing machines, water pumps and other equipment, etc. To enhance noise control, we strictly adhere to GMP (Good Manufacturing Practice) requirements in designing factory layout, upgrading equipment and applying physical noise insulation measures to minimise noise pollutions. Also, we engage independent third-party professional testing institutions to conduct environmental noise assessment and issue inspection reports, and abides by the People's Republic of China "Emission Standard for Industrial Enterprises Noise at Boundary". For 2022, all production bases of the Group achieved 100% in compliance with the noise control standards, and no material complaint of noise pollution was received.

Ecological and Environmental Protection

The Group is committed to reducing the impact of its business operations on the environment and other natural resources, continuously improving its environmental management mechanisms, and implementing a series of pollution prevention and control, energy-saving, and emission reduction measures to ensure compliance with emissions standards for exhaust gases and wastewater, and to build a green enterprise. During the year, the Group did not record any significant pollution or damage to the air, land, water sources, and ecological environments in the vicinity.

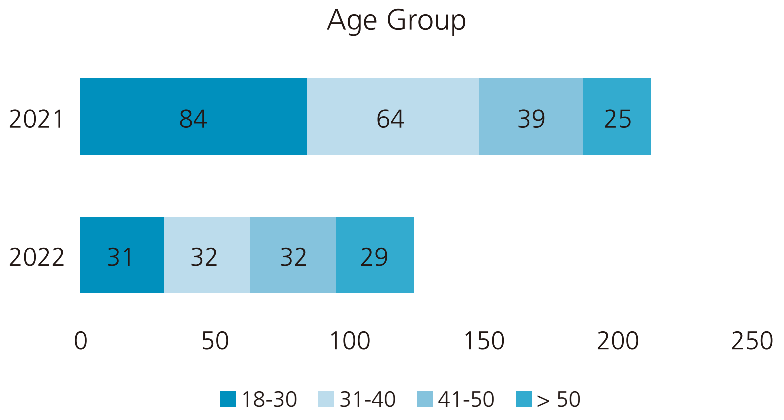
PEOPLE-ORIENTED

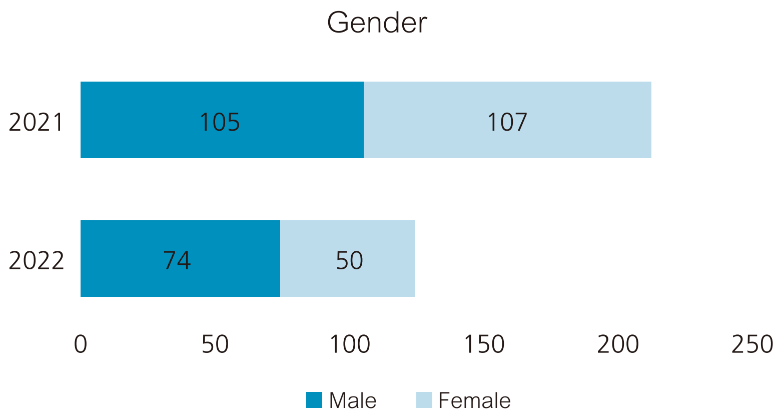
The sustainable development of the Group is attributable to the hard work and dedication of each and every member. The Group strictly complies with the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and other laws and regulations[9] relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, and has formulated a series of policy in accordance with relevant laws and regulations, such as the "Personnel Handbook" and the "Personnel Management System", which specifies the management of recruitment, induction, resignation, salary and bonus, attendance, probation period, position adjustment, reward and punishment system, contract renewal, and promotes the standardisation and institutionalisation of decision-making, so as to further improve the level of human resources management. During the year, the Group did not aware of any material non-compliance of laws and regulations in respect of human resources.

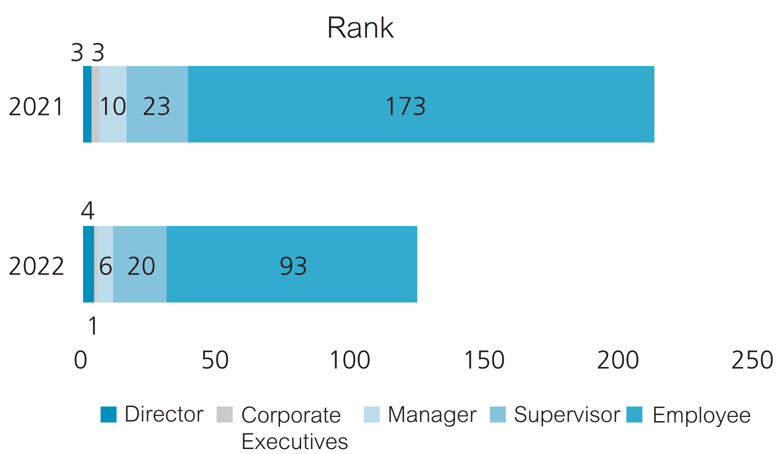
9 For laws and regulations related to employment, please refer to the Laws and Regulations section of this report

Employee Composition

Currently, our employees are mainly from Mainland China and Hong Kong. As at the end of 2022, the Group had a total of 124 active employees, with a male to female ratio of approximately 1.48:1. Details of the employees by gender, age group and rank are as follows:







The Group has a clear system of rewards and punishments in personnel management to ensure that employees who achieve excellent performance receive corresponding rewards, including commendations, awards, and promotions. At the same time, the human resources department of the Group assesses the ability of employees through KPIs (organised twice a year with each for mid-year and year-end) every year based on the annual performance of employees and provides opportunities for adjustment or promotion of job positions or salary adjustment based on these indicators.

The Group complies with the relevant employment regulations and guidelines and provides appropriate benefits and compensation to the dismissed employees according to the agreed procedures. The relevant provisions on the termination of employment relationship are set out in the employment contract of each employee. During the year, the Group had a total of 45 (2021: 103) resigned employees, with a turnover rate of 27%[10]. The details of the turnover of resigned employees by gender, age group and geographical region are as follows:

	2022		2021	
	Number of Employees Resigned	**Percentage[11]**	Number of Employees Resigned	Percentage
By gender				
Male	**14**	**16%**	32	31%
Female	**31**	**39%**	71	62%
By age group				
18–30	**30**	**52%**	81	178%
31–40	**9**	**19%**	13	16%
41–50	**2**	**6%**	3	5%
>50	**4**	**15%**	6	26%
By geographical region				
Hong Kong	**0**	**–**	1	17%
The PRC	**45**	**27%**	102	12%

10 The turnover rate is calculated by dividing number of resigned employees during the year by the average number of employees at the beginning and the end of the period

11 The percentage of resigned employees in each category is calculated by dividing the number of resigned employees in the specific category during the year by the average number of employees at the beginning and the end of the period in such category

Labour Standards

The Group strictly complies with relevant labour laws and regulations[12], such as the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", and ensures that employees are aware of the system regarding forced labour and labour rights. During the recruitment process, we require job applicants to fill out an "Application Form for Employment," and through interviews, background checks, and other assessments, we ensure that the hired personnel meet the job requirements such as physical condition, education, identification, household registration, and age. We prohibit the employment of child labour, and if an employee suspects or discovers child or forced labour, the employee should report to the department head or executive director. Should the Group become aware of any violation of the labour standards of respective jurisdictions, the issue will immediately be dealt with in accordance with the applicable laws and regulations. During the year, the Group was not aware of any material non-compliance with any laws and regulations in relation to the prevention of child and forced labour.

Compensation and Benefits

The Group has a sound remuneration system to ensure that employees receive fair and reasonable salaries and rewards. We comply with relevant national and regional laws and regulations and pay the "five insurances and one fund" in accordance with the law, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees are covered by social insurance. In addition, our remuneration system covers basic salary, performance salary, company benefit award, performance bonus, project bonus, and other categories. For outstanding employees, all rewards they receive are recorded by the human resources department as an important basis for personal salary increases, promotions, and upgrades. In addition to salary and social insurance benefits, employees entitled to paid annual leave, marriage leave, maternity leave, paternity leave, nursing leave, bereavement leave, sick leave, personal leave, as well as holiday benefits, including baby bonus, festive bonus, high-temperature subsidies, to enrich their lives and enhance their sense of belonging.

Equal Opportunities

The Group is committed to providing an equal and inclusive working environment for employees and has developed relevant policies and procedures to ensure that employees' legal rights and interests are protected and that production management is conducted in an orderly manner. We prohibit all forms of discrimination based on race, religion, nationality, social status, gender, and other factors in recruitment, salary, training, promotion, and other matters. All of our employees enjoy fair treatment and work opportunities, and we respect employees' lifestyles, religions, and freedom of speech. At the same time, we strictly punish all immoral behaviors such as malicious attacks, slander, and false accusations. If such behavior is discovered, the rewards and punishment committee will issue a written warning, deduct part of the employee's bonus, and terminate the employment of those who commit serious offenses.

[12] For laws and regulations related to Labour standards, please refer to the Laws and Regulations section of this report

Caring for Employees

The Group regularly organizes various activities to promote relationships among employees, improve their quality of life, and enrich their leisure time. The Group's labour union is responsible for organizing and arranging various activities, coordinating with various departments to leverage their strengths, and enhance the internal teamwork and unique corporate culture of the Group. During the year, the Group has organised different socialising activities to raise the sense of achievements for its employees and create a joyful, open, healthy, friendly, harmonious work-life atmosphere.

TALENT DEVELOPMENT

Talent development is the driving force behind the long-term vitality of the Group. To ensure the professional growth of employees, the Group has established a sound training system that covers the diverse skill improvement needs of employees, enhances their professional skills, and increases their professional knowledge reserves, so as to cultivate high-quality talents.

Training Management

The Group has developed the "Employee Education and Training Management Procedures" to guide the arrangement of employee training courses and training assessment management. We provide employees with diverse training activities, including both internal and external forms, to improve their professional skills and promote their career development. In addition, we have tailored career development plans for the employees according to their working backgrounds and individual preferences for its employees with an open and sustainable development path. The training plan is formulated at the end of each year, and the quality department consolidates the training plans of each department into the Group's annual training plan.

Training Courses

In order to ensure that employees understand, familiarise themselves with, and master the Group's current regulations, policies, and objectives, enhance their sense of work responsibility, improve their safety and health awareness, familiarise themselves with the manufacturing process, and master the necessary knowledge and skills for their jobs, the Group arranges different types of training courses for employees at all levels that can be applied to various scenarios. Internal training courses cover job skills training, rules and regulations training, good supply practice (GSP) for pharmaceutical products training and product information training, etc. In addition, new recruits would have orientation training, which will help them quickly understand the operation standards and internal regulations and policies of the Group, necessary pharmaceutical knowledge and standard operating procedures, fire safety knowledge training, adverse drug reaction report and test training, and microbiology and hygiene knowledge training. After the training courses, employees will be uniformly assessed, and only those who pass the assessment will be allowed to engage in corresponding job operations.

In addition, the Group provides employees with external training opportunities to enrich their knowledge acquisition channels and enhance their job skills reserves through external training channels, including public courses and seminars organized by training institutions. Furthermore, in accordance with the "Staff External Training Management Procedures", the Group provides a training budget to regulate the management of external training. During the year, a total of 53.9% of the Group's employees received training[13], with an average training hours of 17.7 hours per employee[14]. Training situation by gender and rank of employees are as follows:

	2022		2021	
	Percentage of employees trained[15]	Average employees training time (hours)[16]	Percentage of employees trained	Average employees training time (hours)
By gender				
Male	51%	19.82	47%	19.91
Female	49%	15.80	53%	17.43
By rank				
Manager	–	–	1%	1.00
Supervisor	5%	4.25	6%	5.28
Employee	95%	21.17	93%	20.76

Health and Safety

The Group attaches great importance to the health and safety of its employees. The Group implements a health and safety production approach of "Safety First, Prevention-oriented and Comprehensive Management" and strives to provide a safe, healthy and comfortable working environment for its employees. The Group strictly follows the "Law of Prevention and Control of Occupational Diseases of the People's Republic of China", the "Standard of Notification on Occupational Hazards of Highly Toxic Substances", the "Provisions on the Supervision and Administration of Occupational Health at Work Sites", and other regional laws and regulations[17]. During the year, the Group did not identify any material non-compliance with laws and regulations relating to employee health and safety. To guarantee the occupational health and safety of our employees, we have formulated various policies and management procedures to prevent occupational disease hazards and risks.

13 The percentage of trained employees is calculated by dividing the number of employees trained by the number of employees during the year, covering existing and resigned employees

14 The average employees' training time is calculated by dividing the total number of training hours by the number of employees during the year, covering existing and resigned employees

15 The percentage of trained employees in each specific category is calculated by dividing the total number of employees trained in such category by the total number of employees trained during the year, covering existing and resigned employees

16 The average employees' training time in each category is calculated by dividing the total number of training hours in such category by the total number of employees of such category during the year, covering existing and resigned employees

17 For laws and regulations related to occupational health and safety, please refer to the Laws and Regulations section of this report

Safety Operation Procedures for Occupational Hazard Positions

To strengthen the safety management of dust in the workplace, the Procedures put forward clear management requirements for job operators and job operation specifications based on the actual work duties.

Occupational Disease Hazard Warning and Notification System

To effectively prevent, control and eliminate occupational hazards, and to prevent and control occupational diseases, the System requires the personnel department to truthfully inform new and existing employees of the potential occupational hazards and consequences, occupational disease prevention measures, and related compensation during the signing of employment contracts.

Responsibility System for Prevention and Control of Occupational Diseases

To implement the responsibility of each department in preventing and controlling occupational hazards, the System stipulates the responsibilities of everyone from company leaders to every department in the prevention and control of occupational diseases. In the event of any occupational disease hazards or incidents, the responsibility shall be investigated in accordance with the System.

Management Procedures for Emergency Rescue of Occupational Hazards

To improve emergency response to occupational disease hazards and incidents, the Management Procedures clearly outline the emergency response procedures and measures to be taken in the event of an occupational disease hazard or incident.

System for the Disposal and Reporting of Occupational Hazards

To strengthen the monitoring and management of occupational health, the System clearly defines the severity of occupational disease hazards and incidents, management responsibilities, and procedures for incident response and reporting.

Procedures for Occupational Health Surveillance and its File Management

To improve the monitoring and management of occupational health hazards, the Procedures require that each production department be responsible for the occupational health examinations and record management of its employees, and the organization of pre-employment, on-the-job, post-employment, and emergency occupational health examinations for its employees in accordance with the law.

Safety Performance for the Year

	Unit	**2022**	2021	2020
Occupational health and safety performance				
Number of work-related fatalities	person	**0**	0	0
Rate of work-related fatalities	percentage	**–**	–	–
Lost days due to work injury	day	**0**	92	302

Safety Production Management

To enhance the safety production management of our production base and ensure full compliance with the requirements of Good Manufacturing Practice, Suzhou First Pharmaceutical Co., Ltd., a subsidiary of the Company, has established the "Safety Production Responsibility System Management Regulations", which establishes a safety production responsibility system and clarifies the safety production responsibilities assigned to various departments and individuals, thereby strengthening the safety awareness of personnel at all levels. The Safety Leadership Group is responsible for supervising the implementation of all safety production tasks. We have also developed production safety plans and production safety goals, and regularly hold production safety meetings and conduct workplace safety inspections.

The Group continuously improves its employee health and safety management policies, strengthens safety production supervision and management, actively conducts health and safety training, and engages qualified third-party companies to conduct regular occupational hazard factor testing to ensure workplace and employee safety.

Fire Safety Management

Fire safety management is one of the important aspects of the Group's safety management. We strictly comply with the "Fire Protection Law" and the "Regulations on Punishment of Security Management" issued by the PRC, and have established fire and open flame management as well as fire operation safety rules through the development of the "Management Regulations on Fire Prevention and Fire Control" to reduce or avoid the occurrence of safety accidents. The Group shall provide fire safety training to employees to ensure the comprehensive implementation of safety regulations. Employees are required to take prompt and appropriate action in the event of a fire, and to effectively organize rescues. The Regulations also provide clear provisions for the configuration, repair, maintenance and management of firefighting equipment, as well as the management of flammable, explosive, and highly toxic materials. The Group's leaders at all levels shall attach great importance to fire safety work and establish a strict fire prevention responsibility system.

To ensure the full implementation of fire control management work, in addition to conducting special inspections within the Group, the subsidiaries of the Group are required to conduct quarterly inspections, and workshops (departments) are required to conduct daily inspections. If any violations of the fire supervision regulations are found, they must be recorded and rectified promptly. When necessary, relevant personnel are organized to conduct spot checks to ensure the implementation of the regulations and production safety.

OPERATIONAL EXCELLENCE

The Group is committed to applying the sustainability concept to the supply chain management, so as to build an integrated, standardised, and informatised supplier management system, which aims to encourage the Group's suppliers to have better performance in terms of environment and labour.

Supply Chain Management

In order to build a sustainable supply chain and standardised procurement management process for better management of environmental, social and governance risks related to the supply chain, the Group has formulated a slew of policies, including the "Supplier Management Regulations", "Supplier Audit Management Regulations", and "Third Party Due Diligence Procedures", to provide detailed guidance for the Group to select and assess the performance of suppliers, which will help identify suppliers and business partners that maintain good business records without major violations and anti-business ethics behaviors. During the year, the Group had a total of 105 suppliers, all of which were from China due to the uniqueness of the pharmaceutical industry.

Supplier Access

By adhering to the principles of legal compliance, fairness, justice and openness for its procurement activities, the Group establishes long-term mutually beneficial relationships with suppliers, and cultivates high-quality suppliers, so as to continue with the improvement of procurement quality. We conduct strict examinations over the supplier's access qualifications, collect and review their business licenses and related operation licenses (including pharmaceutical production licenses, hygiene licenses, printing business licenses, sanitation permits), quality system certification, GMP certification, product registration certificate and product approval documents, among others. In accordance with the "Supplier Management Regulations", each supplier must establish a separate file, conduct on-site audits, deviation statistics, daily investigation records, annual quality reviews, etc. Detailed assessments are conducted over staffing, organization, environment, plant facilities, materials management, production process, and production management of the suppliers. Furthermore, following completion of the on-site audit, the supplier on-site audit plan, supplier on-site audit report, and on-site audit defect report will be completed.

Supplier Access Assessment Process

For better assessment over suppliers' management of their environmental, social and governance risks, the Group has formulated relevant assessment standards for social responsibility measures, which provides regular assessment and evaluation over the health and safety, human rights, anti-corruption, employment practices, environmental management, cooperation relationships, etc. Any violation of environmental and other laws and regulations may lead to the termination of the supplier contract.

Supplier Audit

The Group implements a suppliers qualification review system, under which the quality control department establishes a supplier confirmation and assessment process. Suppliers are divided into five categories according to materials attributes, covering raw materials, non-sterile auxiliary materials, inner packaging materials, labeling materials, and non-primary consumables for production. In addition, when selecting suppliers, the Group also takes into consideration the social, environmental and governance performance of suppliers, and gives priority to promoting and using suppliers that are more environmentally friendly and can improve product production efficiency.

For cooperative suppliers that have been audited and included in the supplier cooperation list, we regularly conduct on-site audits, with a supplier on-site audit plan to be prepared for the next year based on the issues identified in the audit at the end of each year. According to the overall evaluation results and other issues identified in the on-site audit in addition to the supplier's rectification, we will finally determine whether or not it is a qualified supplier.

Product Liability

Product quality is an important part of the long-term development of an enterprise. In strict compliance with laws and regulations[18], including the "Patent Law of the People's Republic of China", "Trademark Law of the People's Republic of China", and "Copyright Law of the People's Republic of China", the Group has formulated a series of internal systems to manage quality risks, control product quality, and improve service systems. By continuing to improve the product quality management system, we strive to provide customers with high-quality products and services.

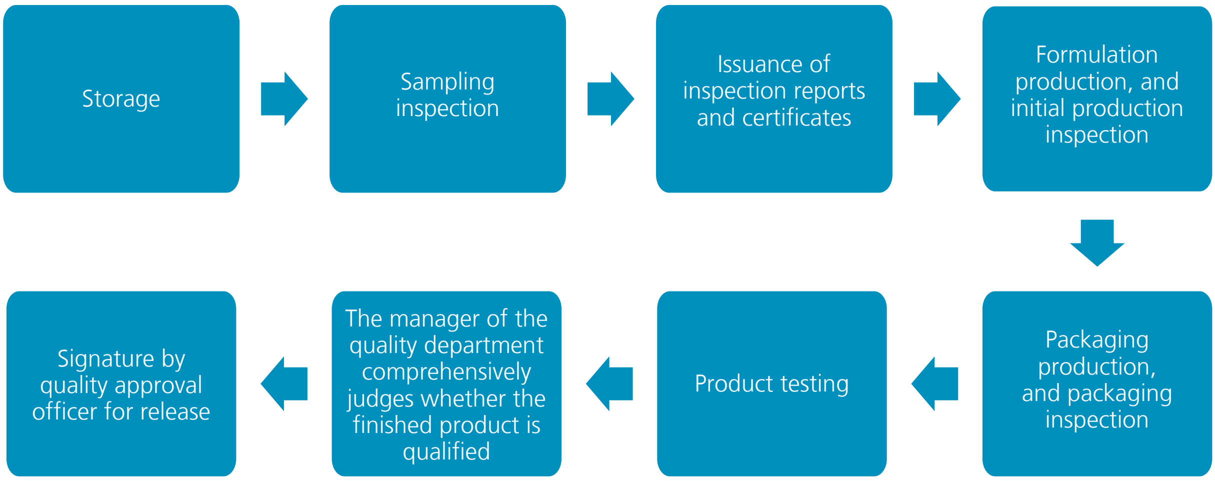
Product Quality and Safety

In unremitting pursuit of the provision of healthy and safe products to customers, the Group has established internal management documents such as the "Quality Management System for the Reporting and Monitoring of Adverse Drug Reactions", and "Management Regulations of the Release of Raw Materials, Packaging Materials and Finished Products". In addition, a drug safety monitoring office, which is composed of quality approval officer of the Company as the office director, after-sales service personnel, quality management personnel, and full-time personnel for adverse reaction reporting and monitoring, is established to regularly conduct drug safety risk assessment, and implement risk control in a timely manner to manage adverse drug reactions, which aims to efficiently resolve drug safety issues. During the year, the Group did not record any major violations of laws and regulations related to product and service quality. In addition, the Group's subsidiaries and research and development and medical affairs centers have specialised departments responsible for safety monitoring, analysis and reporting at all stages of the product life cycle to ensure drug safety for patients.

[18] For laws and regulations related to product quality, please refer to the section headed Laws and Regulations of this report

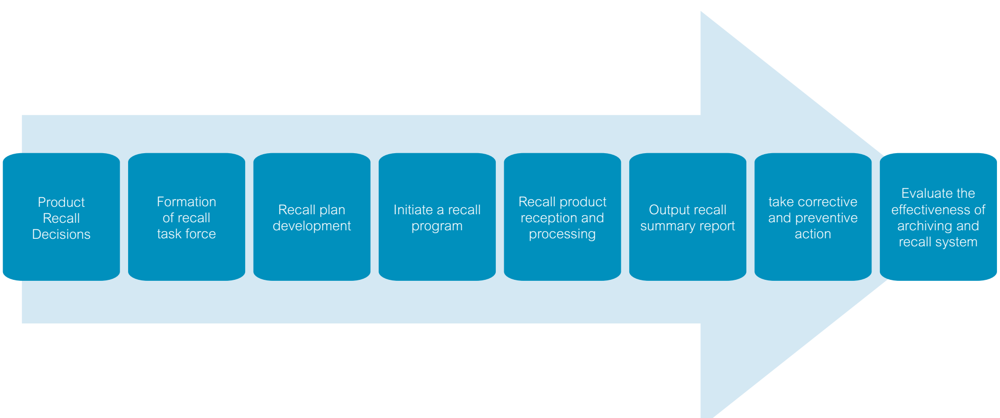
The Group implements a strict drug quality assurance process from the inbound materials to the delivery of finished products:

Release Procedure for Finished Drug Products



To recall products with known or suspected quality issues in a timely manner, the Group has formulated the "Product Recall Management Procedures" and "Corrective and Preventive Measures Management Procedures" to reduce the potential impact of sold products on customers and properly handle related matters. The Group classifies drug recalls based on the severity of safety hazards and harmfulness of the product. Drug recalls are classified as level 1 recalls: the use of the product may cause serious health hazards; level 2 recalls: the use of the product may cause temporary or irreversible health hazards; level 3 recalls: the use of the product generally does not cause health hazards, but due to other reasons, the product needs to be recalled. For product recall decisions that have been investigated and evaluated for product safety hazards and supported by experts in relevant fields, the Group will set up a recall task force and initiate a recall plan. During the year, the Group did not receive any major complaints related to products and services, nor did it record any incidents related to product recalls due to safety and health reasons.

Product Recall Process



Labelling and Traceability

The Group strictly prohibits the transmission of any false or misleading information on products, and strictly manages the printing of drug information related to the name, specification, batch number, usage and dosage of drugs that require approval from the government based on the "Regulations on the Management of Printing Packaging Materials". Specific personnel will be designated to manage the storage of printing and packaging materials, such as setting up a special area to properly store printing and packaging materials such as instructions and labels, and placing cut labels or other bulk printing materials in airtight containers for storage and transportation to prevent confusion and errors. Unqualified printing and packaging materials are stored in the warehouse of unqualified products, and the expired or discarded printing and packaging materials are destroyed and the destruction records are kept. The Group has a total of 129 product registration certificates approved by the State Food and Drug Administration, of which more than 20 products are being put into production and sales.

Source and quality status of drugs can be traced and inquired through different stages from purchase identification and process identification to finished product identification. The technical quality department of the Group is responsible for collecting and maintaining complete drug quality records to ensure the truthfulness of the contents of batch production and batch packaging records, completeness of the data, and conformity with the requirements of product standards, which shall also require signature and confirmation by the operator and reviewer. The batch records shall ensure that the batch numbers of raw materials and all production and inspection steps of the products can be traced back. Where changes to the records are required, the name and date shall be affixed at the place where the changes are made with the reasons for the changes indicated, and original data remains to be identifiable. The batch records shall be filed according to the batch number, and kept for one year after the expiry date of the product and until the end of the product life.

Customer Satisfaction and Privacy Protection

The Group pays attention to customer feedback and suggestions, with the "Product Complaint Handling and Management Procedures" established to ensure proper judgment and handling of customer complaints, and promote the improvement of product quality and quality management systems. We support customers to give feedback through letters, faxes, and telephones, which will be followed up and resolved in a timely manner according to the complaint handling procedures. The quality department is responsible for the management of customer complaints, and cooperates with the sales, production, and regulatory registration departments to investigate into complaints. Upon receiving a complaint, we will provide the customer with preliminary feedback on the acceptance of the complaint within two working days as soon as possible, and complete the "QA022 Product Complaint and Handling Form" to evaluate the rationality of the complaint. Where the complaint is determined to be reasonable, the quality department will investigate and handle it with other departments to determine whether the product return is required from the complaining customer or whether the initiation of product recall procedures is required, and then determine whether the complaint arises within the enterprise. A response will be made to the customer within working days. In addition, the quality department conducts an annual summary and review of the customer complaints received every year, which will be compared to those received in the previous year to analyze and summarize the causes, so that our product and service quality will continue to improve.

Our business activities rarely involve the collection of personal information of customers. In order to protect the safety and interests of corporate assets and customers, the Group requires that only authorised employees can access the customer information system and employee personal information system. Any abuse of personal information or illegal profit -making behavior is prohibited.

Intellectual Property

Intellectual property represents an important competitive strength of the Group. To safeguard intellectual property rights and protect the safety and integrity of intangible assets, the Group has engaged a professional third-party company to assist in the management of intellectual property related matters, and established the intellectual property management system in accordance with the "Patent Law of the People's Republic of China" and other laws and regulations[19], to ensure that the management work is carried out in an orderly manner, eliminating any infringement of trademark property rights. In addition, the Group requires all employees to take practical measures to protect existing trademark property rights, and supports employees to report any suspicious violations of the code of conduct through reporting channels.

Anti-corruption

The Group is committed to promoting a clean business environment by upholding the principles of integrity, lawfulness, compliance, and transparency in business ethics and corporate governance. We strictly follow the "Criminal Law of the People's Republic of China", "Interim Provisions on Banning Commercial Bribery of the People's Republic of China" and other laws and regulations in the PRC in relation to the prevention of bribery, extortion, fraud and money laundering[20]. The Group has established a clean mechanism that conforms to an ethical business practice and complies with the laws and regulations in the PRC. Members of the Board, management, employees, and agents of the Group shall comply with the established business standards of integrity and ethics and maintain the Group's good corporate image and reputation as an honest enterprise.

The Group provides annual compliance policy training to all employees through online learning, compliance policy testing, face-to-face lectures, and other forms to enhance their awareness of compliance requirements. With regard to supplier management, the Group insists on transparent procurement to ensure that the bidding and procurement process is standardised and transparent, and to eliminate commercial bribery in the procurement process.

During the year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. There was no concluded legal cases regarding corrupt practices brought against the Group or its employees during the year.

19 For laws and regulations related to intellectual property rights, please refer to the section headed Laws and Regulations

20 For laws and regulations related to anti-corruption, please refer to the section headed Laws and Regulations

Employee Code of Conduct

The Group maintains a zero-tolerance attitude towards bribery and corruption and has developed the following policies and normative documents to ensure that business operations follow good business practices and enhance employee awareness of anti-corruption:

- Compliance Regulatory Policy
- Anti-Bribery and Anti-Corruption Policy
- Gifts and Entertainment Policy
- Marketing Activities Regulatory Standard
- NT Agency Promotion Standard
- Communication Policy with Medical and Health Professionals and Medical and Health Organizations
- Code of Business Conduct and Professional Ethics
- Pharmaceutical Promotion Related Expenses Management Process

The Group investigates all cases related to corruption and fraud. If any employee of the Group is found to have involved in illegal or irregular behavior, such as taking advantages of their job positions to engage in malpractice, embezzling funds, or accepting bribes, they may face disciplinary action, including termination of employment. For those with more serious offenses, they will be handed over to the judicial authorities for processing.

Whistleblowing System

Employees and relevant third parties who have dealings with the Group, such as customers and suppliers, can express their concerns about any actual or suspected improper behavior, fraud, or violations through the whistle-blowing hotline and mailbox we have established to prevent bribery, blackmailing, fraud, and money laundering. Once the Group receives a report claiming to have discovered any fraudulent, corrupt or non-compliance, it will be promptly handled by internal control personnel. The Group is committed to handling any whistleblowings in a confidential and cautious manner and will keep the identity of all whistle blowers and employees and/or third parties who make whistleblowings confidential.

Anti-corruption Training

We continuously promote and foster a culture of integrity and self-discipline, we provide anti-corruption training periodically to the directors and employees of the Group to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics and to ensure compliance with applicable laws and regulations.

Community Investment

As an enterprise committed to social services and people's health, the Group has always insisted on the development concept of sharing with the society and adhered to the principle of "taking from the society and giving back to the society". The Group advocates employees to launch charity bazaar and make donations during the internal meetings of business department or Board's meetings, to achieve the ideal of mutual healthy development with the community. Through the Group's "Donation and Scientific Research Fund Policy", employees can submit applications for donation and scientific research funds to the Group to help the social groups and individuals in need and conduct in-depth research on the medical mechanism and scientific and rational use of drugs, to establish a good public image of the Group while fulfilling social responsibilities. The Group's donations are in strict compliance with national and local laws and regulations such as the "Law of the People's Republic of China on Donations for Public Welfare" and the "Administrative Measures for Public Welfare Donations Received by Health and Family Planning Units (Trial)".

LAWS AND REGULATIONS

Aspects	Applicable Laws and Regulations	Compliance Statement
Emission	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China on the Prevention and Control of Water Pollution Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes Law of the People's Republic of China on Prevention and Control of Soil Poll Cleaner Production Promotion Law of the People's Republic of China Directory of National Hazardous Wastes Integrated Emission Standard of Air Pollutants Integrated Wastewater Discharge Standard Standard for Pollution Control on Hazardous Waste Storage Emission Standard of Air Pollutants for Boiler Environmental Protection Law of the People's Republic of China Environmental Protection Tax Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution Measures for the Administration of Pollutant Discharge Permits (Trial) Technical Policy on the Prevention and Control of Volatile Organic Compounds (VOCs) Pollution Emission Standard of Air Pollutants for Pharmaceutical Industry Integrated Emission Standard of Air Pollutants The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards Integrated Wastewater Discharge Standard Regulations on Administrative Penalties for Public Security Wastewater Quality Standards for Discharge to Municipal Sewers Environmental Protection Graphic Label – Solid Waste Storage (Disposal) Site Emission Standard for Industrial Enterprises Noise at Boundary	During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Resources Consumption	Energy Conservation Law of the People's Republic of China	
The Environment and Natural Resources	Environmental Protection Law of the People's Republic of China	

Aspects	Applicable Laws and Regulations	Compliance Statement
Employment	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Provisions on the Prohibition of Using Child Labour Law of the People's Republic of China on the Protection of Minors Employment Ordinance of Hong Kong	During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare.
Health and Safety	Production Safety Law of the People's Republic of China Special Equipment Safety Law of the People's Republic of China Fire Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases	During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. There were no cases of work-related fatalities or occupational diseases.
Labour Standards	Provisions on the Prohibition of Using Child Labour Law of the People's Republic of China on the Protection of Minors	During the year, the Group did not have any cases of child labour and forced labour.

Aspects	Applicable Laws and Regulations	Compliance Statement
Product Responsibility	Good Supply Practices for Pharmaceutical Products Good Manufacturing Practices for Pharmaceutical Products Product Quality Law of the People's Republic of China Tort Liability Law of the People's Republic of China Drug Administration Law of the People's Republic of China Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright Law of the People's Republic of China Contract Law of the People's Republic of China Reporting and Monitoring of Adverse Drug Reactions Management System Law of the People's Republic of China on Technology Contracts Anti-Unfair Competition Law of the People's Republic of China	During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
Anti-Corruption	Criminal Law of the People's Republic of China Prevention of Bribery Ordinance of Hong Kong Interim Provisions on Banning Commercial Bribery of the People's Republic of China	During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.
Public Welfare	Law of the People's Republic of China on Donations for Public Welfare Administrative Measures for Public Welfare Donations Received by Health and Family Planning Units (Trial)	

KPIs

		2022	2021
Environmental	**Resources Consumption**		
	Energy consumption (MWh)	**9,423.81**	16,658.24
	Energy consumption intensity (MWh/million RMB revenue)	**45.51**	73.08
	Electricity (MWh)	**3,585.95**	7,501.08
	Gasoline (litres)	**6,084.00**	6,788.40
	Diesel (litres)	**2,997.00**	9,335.33
	Natural gas (m^3)	**532,096.00**	851,089.00
	Water (m^3)	**101,252.00**	200,088.00
	Water consumption intensity (m^3/million RMB revenue)	**488.92**	822.61
	Emissions		
	GHG emissions (tCO_2e)		
	Scope 1: Direct emissions	**1,176.08**	2,783.25
	Scope 2: Indirect emissions	**2,045.06**	4,422.26
	Total	**3,221.15**	7,205.51
	GHG emission intensity (tCO_2e/million RMB revenue)	**15.55**	31.78
	Exhaust Gas Emissions (kg)		
	Nitrogen Oxide (NO_x)	**1,015.23**	254.77
	Sulfur Oxide (SO_x)	**0.14**	0.25
	Particulate Matter (PM)	**48.43**	21.91
	Waste (tonnes)		
	Hazardous waste		
	Scrap medicines	**3.36**	13.38
	Waste organic solvent	**1.13**	1.43
	Hazardous waste transport packages	**0.11**	0.10
	Total	**4.60**	14.91
	Hazardous waste emission intensity (tonnes/million RMB revenue)	**0.02**	0.07
	Non-hazardous Waste (tonnes)		
	General waste	**10**	10
	Plastic waste	**0**	10
	Waste cartons	**5**	10
	Waste bottles	**2**	
	Paper	**5**	3.28
	Non-hazardous waste emission intensity (tonnes/million RMB revenue)	**0.11**	0.15

		2022	2021
	Packaging Materials		
	Polyvinyl Chloride (PVC) (tonnes)	–	25.90
	User manual (thousand sheets)	8,928.60	25,071.86
	Bottle label (thousand sheets)	19,445.11	46,796.32
	Carton (thousand pieces)	8,928.60	8,697.42
	Large box (thousand pieces)	44.64	147.5
	Penicillin bottle (thousand pieces)	19,445.11	61,360.54
	Rubber stopper (thousand pieces)	19,445.11	42,293.14
	Aluminum-plastic cap (thousand pieces)	19,445.11	44,066.53
Social	**Employee Geographical Distribution**		
	Mainland China	121	209
	Hong Kong	3	3
	Overseas	0	0
	Employee Gender Distribution		
	Male	74	105
	Female	50	107
	Employee Age Distribution		
	18–30	31	84
	31–40	32	64
	41–50	32	39
	>50	29	25
	Employee Rank Distribution		
	Director	4	3
	Corporate Executives	1	3
	Manager	6	10
	Supervisor	20	23
	Employee	93	173
	Employee Turnover Rate (by geographical region)		
	Mainland China	27%	12%
	Hong Kong	–	17%
	Overseas	–	–

	2022	2021
Employee Turnover Rate (by gender)		
Male	16%	31%
Female	39%	62%
Employee Turnover Rate (by age group)		
18–30	52%	178%
31–40	19%	16%
41–50	6%	5%
>50	15%	26%
Occupational Safety and Health Performance		
Number of work-related fatalities	0	0
Rate of work-related fatalities	–	–
Lost days due to work injury	0	92
Percentage of Employees Trained (by gender)		
Male	51%	47%
Female	49%	53%
Percentage of Employees Trained (by rank)		
Manager	–	1%
Supervisor	5%	6%
Employee	95%	93%
Average Employees Training Time (by gender)		
Male	19.82	19.91
Female	15.80	17.43
Average Employees Training Time (by rank)		
Manager	–	1.00
Supervisor	4.25	5.28
Employee	21.17	20.76
Distribution of Suppliers (by geographical region)		
Mainland China	105	105
Hong Kong	0	0
Overseas	0	0

ESG REPORTING GUIDE OF THE STOCK EXCHANGE IN HONG KONG

KPIs	Requirements of ESG Reporting Guide of the Stock Exchange in Hong Kong	Section/Remark
Governance Structure		
General Disclosure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Sustainability Governance
Reporting Principles		
General Disclosure	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/ energy consumption (where applicable) should be disclosed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Reporting Guidelines and Principles
Reporting Scope		
General Disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Boundary and Reporting Period

Subject Areas, Aspects, General Disclosures and KPIs		
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
A1.1	The types of emissions and respective emissions data.	Environmental Management – Emission Control
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management – Climate Change
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management – Emission Control
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management – Emission Control
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Management – Emission Control

Subject Areas, Aspects, General Disclosures and KPIs		
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Management – Resources Consumption
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Management – Climate Change
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Management – Resources Consumption
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management – Resources Consumption
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management – Resources Consumption
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Management – Resources Consumption
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management – Ecological and Environmental Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management – Ecological and Environmental Protection
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Management – Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Management – Climate Change

Subject Areas, Aspects, General Disclosures and KPIs		
B. Social		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented – Compensation and Benefits, Equal Opportunities
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	People-oriented – Employee Composition
B1.2	Employee turnover rate by gender, age group and geographical region.	People-oriented – Employee Composition
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People-oriented – Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	People-oriented – Health and Safety
B2.2	Lost days due to work injury.	People-oriented – Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People-oriented – Health and Safety
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented – Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People-oriented – Talent Development
B3.2	The average training hours completed per employee by gender and employee category.	People-oriented – Talent Development

Subject Areas, Aspects, General Disclosures and KPIs		
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented – Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-oriented – Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented – Labour Standards
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operational Excellence
B5.1	Number of suppliers by geographical region.	Operational Excellence – Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs		
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operational Excellence – Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operational Excellence – Product Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with.	Operational Excellence – Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operational Excellence – Product Responsibility
B6.4	Description of quality assurance process and recall procedures.	Operational Excellence – Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operational Excellence – Product Responsibility
B7: Anti- corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operational Excellence – Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operational Excellence – Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operational Excellence – Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Operational Excellence – Anti-corruption

Subject Areas, Aspects, General Disclosures and KPIs		
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in investment, research and development, manufacturing and sales of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers represented 34% and 83% of the Group's total revenue and total purchases, respectively.

During the Year under Review, the largest customer of the Group accounted for approximately 11% of the total revenue and the largest supplier of the Group accounted for approximately 67% of the total purchases of the Group.

As far as the Company is aware, neither the Directors, their associates, nor those shareholders who are interested in more than 5% of the shares or underlying shares of the Company had any interest in the five largest customers and suppliers of the Group.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, including complaints analysis and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2022 are set out in the audited consolidated financial statements with notes to the consolidated financial statements of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 are provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out in page 208 of this annual report. This summary does not form part of the audited consolidated financial statements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year (2021: Nil) to the shareholders.

TRANSFER TO RESERVES

Loss attributable to the owners of RMB66.4 million (2021: loss attributable the owners of RMB149.5 million) has been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

At 31 December 2022, the aggregate amount of reserves available for distribution to the equity holders of the Company was RMB Nil, being the net amount of share premium, other reserve and accumulated losses.

FIXED ASSETS

Details of the movements of fixed assets during the year are set out in note 14 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings is set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the audited consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSAL DURING THE YEAR UNDER REVIEW

Material Disposal

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Company's environmental policies and performance is set out in the Environmental, Social and Governance Report in this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to adverse impacts to the operation and financial position of the Company. The Company allocates systemic and staff resources to ensure continuous compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Year under Review, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and up to the date of this report are:

Executive Directors

Mr. NG Tit *(Chairman and Chief Executive Officer)*
Ms. CHIN Yu
Mr. WU Weizhong (resigned on 24 August 2022)

Non-executive Director

Dr. QIAN Wei

Independent Non-executive Directors

Mr. YU Tze Shan Hailson
Dr. ZHAO Yubiao
Mr. Ng Ming Kwan (appointed on 19 January 2023)
Mr. PAN Fei (resigned on 19 January 2023)

Pursuant to article 84 of the articles of association of the Company, Ms. Chin Yu, Dr. Zhao Yubiao and Mr. Ng Ming Kwan will retire from office as Directors by rotation at the forthcoming annual general meeting.

Biographical details of the Directors of the Company are set out on pages 17 to 19 of this report.

PRE-IPO SHARE OPTION SCHEME

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

NEW SHARE OPTION SCHEME

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

A summary of the principal terms of the Share Option Scheme is set out in Appendix I of the circular of the Company dated 4 September 2014. For further details of the 2014 Options and the 2015 Options, please refer to the announcements of the Company dated 10 November 2014 and 15 January 2015, respectively. As of 31 December 2022, no further options have been granted under New Share Option Scheme. No Shares were lapsed nor cancelled nor exercised during the year ended 31 December 2022.

As at 31 December 2022, options to subscribe for an aggregate of 20,200,000 shares of the Company were outstanding under the New Share Option Scheme.

The remaining life of the Share Option Scheme is 1.5 years.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in place during the year ended 31 December 2022.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the Year under Review and up to the date of this annual report, neither the Company nor any of its subsidiaries were party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this report, none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Ng Tit and Ms. Chin Yu have each entered into a service agreement with the Company for a term of three years commencing from their respective effective date of appointment, which shall continue unless terminated by either the Company or the Director giving at least three months' written notice to the other party. Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment, subject to termination in certain circumstances as stipulated in the appointment letter. All Directors are subject to the provisions of retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR OFFICERS' LIABILITY INSURANCE AND INDEMNITY/ PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2022, no claim has been made against the Directors and senior officers.

REMUNERATION POLICY

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results.

The emoluments of the Directors and senior management are determined by the Remuneration Committee with reference to the Group's operational results, their individual performance and comparable prevailing market conditions.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the emoluments of the Directors are set out in note 10 to the consolidated financial statements.

COMPLIANCE OF THE NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, Mr. Ng Tit, Ms. Chin Yu and Golden Base Investment Limited ("**Golden Base**") (collectively referred to as the "**Substantial Shareholders**") have entered into a non-competition undertaking agreement dated 4 April 2011 in favor of the Company (the "**Non-competition Undertaking**"), pursuant to which each of them has undertaken to the Company that he/she/it will not, and will procure that his/her/its associates (except any members of the Group) will not, during the restricted period, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business in PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of the Group may undertake from time to time after the listing of the Company's shares.

As disclosed in the announcement of the Company dated 7 November 2019, Golden Base transferred 200,000,000 shares of the Company (representing approximately 10.5% of the total issued share capital of the Company as at the date of the transfer) to Mr. Ieong Chong Mang and upon completion of the transfer, Mr. Ng Tit, Ms. Chin Yu and Golden Base and/or his/her/its respective associates, individually or jointly, are entitled to exercise or control the exercise of less than 30% of the voting power at general meetings of the Company, accordingly, each of them ceased to be a controlling shareholder (as defined under the Listing Rules) of the Company and the Non-competition Undertaking ceased to be applicable since 7 November 2019.

Each of the Substantial Shareholders had confirmed his/her/its compliance with the Non-competition Undertaking during the period between 1 January 2019 and 7 November 2019.

The independent non-executive Directors have reviewed the Substantial Shareholders' compliance with the Non-competition Undertaking. The independent non-executive Directors confirmed, to the best of their knowledge, that the Substantial Shareholders did not breach the terms of the Non-competition Undertaking.

COMPETING BUSINESS

Save and except for their respective interests in the Group, none of the Directors and controlling shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in any business which, directly or indirectly, competes or is likely to compete with the Group's business for the year ended 31 December 2022.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, were as follows:

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

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

Notes:

(1) Mr. Ng Tit and his spouse, Ms. Chin Yu jointly own 500,000 Shares. 4,000,000 share options were granted to Ms. Chin Yu on 15 January 2015 under the Share Option Scheme. Ms. Chin Yu is the spouse of Mr. Ng Tit.

(2) An aggregate of 402,892,000 Shares are beneficially owned by Golden Base Investment Limited ("**Golden Base**"). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.

(3) The percentage is calculated on the basis of 1,904,635,472 shares of the Company (the "**Shares**") in issue as at 31 December 2022 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options of the Company which remained outstanding as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company or their associates (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange under the Model Code contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

	Number of shares of the Company (long positions)				Approximate percentage of interest in the Company (Note 2)
Name	Beneficial owner	Interests of controlled corporation	Family interests	Other interests	
Golden Base	402,892,000	–	–	–	21.15%
Annie Investment Co., Ltd. (Note 1)	1,700,000	–	–	–	0.09%
Shum Ning (Note 1)	–	1,700,000	527,381,500	–	27.78%
Ieong Chong Mang (Note 1)	527,381,500	–	1,700,000	–	27.78%

Notes:

(1) Annie Investment Co., Ltd., a company wholly-owned by Shum Ning ("**Ms. Shum**"), is the beneficial owner as to 1,700,000 Shares. Ieong Chong Mang ("**Mr. Ieong**") is the beneficial owner as to 527,381,500 Shares (representing approximately 27.78% of the entire issued share capital as at 31 December 2022). Ms. Shum is the spouse of Mr. Ieong. Under the SFO, Ms. Shum is deemed to be interested in all the shares and underlying shares in which Mr. Ieong is interested in and vice versa.

(2) The percentage is calculated on the basis of 1,904,635,472 shares of the Company (the "**Shares**") in issue as at 31 December 2022 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options of the Company which remained outstanding as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any other parties (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no transaction, arrangement or contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company or any of, its subsidiaries, fellow subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

CONTRACT OF SIGNIFICANCE

Save as disclosed above, no contract of significance had been entered into between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2022.

PLACING OF BONDS

The Company did not issue other equity securities (including securities convertible into equity securities) for cash during the Year under Review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 39 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements of the Listing Rules in respect of such continuing connected transactions.

EQUITY-LINKED AGREEMENTS

Save as otherwise disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year under Review. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the Year under Review, the Group did not make any donations (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2022.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers that each of the independent non-executive Directors to be independent.

AUDITORS

Crowe (HK) CPA Limited acted as auditor of the Company and audited the Group's consolidated financial statements for each of the financial years ended 31 December 2021 and 2020.

Crowe (HK) CPA Limited resigned as the auditor of the Company on 14 December 2022 as disclosed in the announcement dated 14 December 2022 and Moore Hong Kong was being appointed to fill the casual vacancy on 14 December 2022 and to hold office until the conclusion of the annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Moore Hong Kong as the auditor of the Company.

On behalf of the Board

Ng Tit
Chairman

Hong Kong, 31 March 2023

INDEPENDENT AUDITOR'S REPORT

MOORE

Moore Stephens CPA Limited

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大華馬施雲
會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA NT PHARMA GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China NT Pharma Group Company Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 88 to 207, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF DISCLAIMER OF OPINION

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

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

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

BASIS OF DISCLAIMER OF OPINION (Continued)

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

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

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

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

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

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

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

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed a disclaimer of opinion relating to going concern on those statements on 20 May 2022.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Moore Stephens CPA Limited
Certified Public Accountants

Li Wing Yin
Practising Certificate Number: P05035

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	**207,092**	226,699
Cost of sales		**(81,806)**	(81,240)
Gross profit		**125,286**	145,459
Other income and gains	5	**7,589**	76,941
Other losses	6	**(6,676)**	(56,764)
Share of results of associates	17	**9,003**	34,490
Impairment loss of property, plant and equipment	14	**(78)**	–
Impairment loss of assets held for sales	35	**–**	(14,476)
Provision for allowance for expected credit loss on trade receivables, net	20(b)	**(251)**	(9,739)
Provision for allowance for expected credit loss on other receivables, net	20(c)	**(11,318)**	(5,807)
Fair value change on financial liabilities at fair value through profit or loss	26(e)	**–**	465
Selling and distribution expenses		**(46,239)**	(149,863)
General and administrative expenses		**(59,878)**	(80,731)
Finance costs	7	**(71,734)**	(88,727)
Loss before income tax	8	**(54,296)**	(148,752)
Income tax expense	9	**(12,109)**	(2,582)
Loss for the year		**(66,405)**	(151,334)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(24,895)**	5,573
Items that will not be reclassified to profit or loss:			
Revaluation surplus on leasehold land and buildings, net of tax		**60,413**	7,248
Reserve released on leasehold land and buildings classified as held for sale, net of tax		**–**	(45,368)
Other comprehensive income/(loss) for the year, net of income tax		**35,518**	(32,547)
Total comprehensive loss for the year		**(30,887)**	(183,881)

	Note	2022 RMB'000	2021 RMB'000
Loss for the year attributable to:			
– The owners of the Company		**(66,405)**	(149,538)
– Non-controlling interest		**–**	(1,796)
		(66,405)	(151,334)
Total comprehensive loss for the year attributable to:			
– The owners of the Company		**(30,887)**	(182,085)
– Non-controlling interest		**–**	(1,796)
		(30,887)	(183,881)
Loss per share attributable to the owners of the Company			
Basic and diluted (in RMB cents)	13	**(3.50)**	(7.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**379,719**	222,367
Interests in leasehold land held for own use	14	**115,998**	25,998
Intangible assets	15	**158,985**	160,835
Goodwill	16	**–**	–
Interests in associates	17	**277,013**	277,936
Financial asset at fair value through profit or loss	18	**569**	521
		932,284	687,657
Current assets			
Inventories	19	**10,318**	32,005
Trade and other receivables	20	**57,185**	46,255
Cash and bank balances	21	**5,931**	9,443
		73,434	87,703
Assets classified as held for sale/assets of a disposal group classified as held for sale	35	**–**	180,000
		73,434	267,703
Current liabilities			
Trade and other payables	22	**311,800**	249,665
Contract liabilities	23	**4,798**	6,097
Contingent consideration payable	24	**2,054**	7,800
Lease liabilities	25	**946**	1,605
Bank and other borrowings	26	**825,045**	616,825
Tax payable		**25,050**	13,981
		1,169,693	895,973
Net current liabilities		**(1,096,259)**	(628,270)
Total assets less current liabilities		**(163,975)**	59,387

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	25	463	390
Bank and other borrowings	26	–	213,290
Deferred tax liabilities	27	77,220	57,082
		77,683	270,762
NET LIABILITIES		(241,658)	(211,375)
EQUITY			
Share capital	28	1	1
Reserves	29	(241,659)	(211,376)
Total capital deficits		(241,658)	(211,375)

The consolidated financial statements on pages 88 to 207 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Mr. Ng Tit
Chairman and Chief Executive Officer

Ms. Chin Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 29(i))	Exchange reserve RMB'000 (note 29(ii))	Statutory reserve RMB'000 (note 29(iii))	Merger reserve RMB'000 (note 29(iv))	Other reserve RMB'000 (note 29(v))	Capital reserve RMB'000 (note 29(vi))	Revaluation reserve RMB'000 (note 29(vii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	1	1,759,103	71,616	88,206	8,256	281,800	12,745	253,825	(2,459,273)	16,279	6,143	22,422
Loss for the year	–	–	–	–	–	–	–	–	(149,538)	(149,538)	(1,796)	(151,334)
Other comprehensive income/(loss):												
Exchange differences on arising translation of financial statements of foreign operations	–	–	5,573	–	–	–	–	–	–	5,573	–	5,573
Revaluation surplus on leasehold land and buildings (note 14)	–	–	–	–	–	–	–	9,664	–	9,664	–	9,664
Reserve released on leasehold land and buildings classified as held for sale (note 35)	–	–	–	–	–	–	–	(54,390)	–	(54,390)	–	(54,390)
Deferred tax on revaluation surplus on leasehold land and buildings	–	–	–	–	–	–	–	(2,416)	–	(2,416)	–	(2,416)
Deferred tax on reserve released on leasehold land and buildings (note 38(a))	–	–	–	–	–	–	–	9,022	–	9,022	–	9,022
Total comprehensive income/(loss)	–	–	5,573	–	–	–	–	(38,120)	(149,538)	(182,085)	(1,796)	(183,881)
Equity-settled share-based transactions (note 30(d))	–	–	–	–	–	–	84	–	–	84	–	84
Reserve released upon disposal of property, plant and equipment	–	–	–	–	–	–	–	(3,076)	3,456	380	(380)	–
Derecognition of non-controlling interests (note 36(ii))	–	–	–	–	–	–	(37,640)	11,792	(20,185)	(46,033)	(3,967)	(50,000)
As at 1 January 2022	1	1,759,103	77,189	88,206	8,256	281,800	(24,811)	224,421	(2,625,540)	(211,375)	–	(211,375)
Loss for the year	–	–	–	–	–	–	–	–	(66,405)	(66,405)	–	(66,405)
Other comprehensive (loss)/income:												
Exchange differences arising on translation of financial statements of foreign operations	–	–	(24,895)	–	–	–	–	–	–	(24,895)	–	(24,895)
Revaluation surplus on leasehold land and buildings (note 14)	–	–	–	–	–	–	–	80,551	–	80,551	–	80,551
Deferred tax on revaluation surplus on leasehold land and buildings	–	–	–	–	–	–	–	(20,138)	–	(20,138)	–	(20,138)
Total comprehensive (loss)/income	–	–	(24,895)	–	–	–	–	60,413	(66,405)	(30,887)	–	(30,887)
Equity-settled share-based transactions (note 30(d))	–	–	–	–	–	–	604	–	–	604	–	604
Cancellation of share award scheme (note 30(d))	–	–	–	–	–	–	35,259	–	(35,259)	–	–	–
Transfer to statutory reserve	–	–	–	4,889	–	–	–	–	(4,889)	–	–	–
As at 31 December 2022	1	1,759,103	52,294	93,095	8,256	281,800	11,052	284,834	(2,732,093)	(241,658)	–	(241,658)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flow from operating activities			
Loss before income tax		**(54,296)**	(148,752)
Adjustments for:			
Bank interest income	5	**(24)**	(239)
Reversal of over-accrued expenses in previous years	5	**–**	(122)
Gain on early termination of lease	5	**(9)**	(357)
Gain on disposal of leasehold land and buildings	5	**–**	(12,734)
COVID-19-related rent concessions	5	**–**	(44)
Reversal of impairment loss on Value-Added Tax	5	**–**	(8,474)
Net loss on disposal of property, plant and equipment	6	**–**	2,296
Provision for legal claims	6	**3,560**	8,984
Provision for legal claims from an associate	6	**2,490**	22,157
Finance costs	7	**71,734**	88,727
Depreciation of property, plant and equipment	8	**15,611**	34,658
Depreciation of right-of-use assets	8	**3,489**	5,619
Amortisation of intangible assets	8	**1,970**	1,972
Write-down of inventories	8	**1,680**	470
Equity-settled share-based payment expenses	8	**604**	84
Impairment loss on prepayments	8	**5,106**	–
Impairment loss of held for sale assets	35	**–**	14,476
Impairment loss of property, plant and equipment	14	**78**	–
Share of results of an associates	17	**(9,003)**	(34,490)
Loss on partial disposal of equity interest in an associate	17(b)	**626**	6,043
Provision for allowance for expected credit loss on trade receivables, net	20(b)	**251**	9,739
Provision for allowance for expected credit loss on other receivables, net	20(c)	**11,318**	5,807
Fair value (gain)/loss on contingent consideration payable	24	**(5,746)**	7,800
Fair value change on financial liabilities at fair value through profit or loss	26(e)	**–**	(465)
Loss on disposal of a subsidiary	34	**–**	(45,073)
Operating cash flows before movements in working capital		**49,439**	(41,918)
Decrease/(increase) in inventories		**19,884**	(5,188)
(Increase)/decrease in trade and other receivables		**(32,107)**	7,941
Decrease/(increase) in restricted cash at banks		**1,064**	(560)
Decrease in trade and other payables and contract liabilities		**(1,030)**	(94,814)
Net cash generated from/(used in) operations		**37,250**	(134,539)
Income tax paid		**(1,040)**	(796)
Net cash generated from/(used in) operating activities		**36,210**	(135,335)

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Payment for consideration balance in relation to the acquisition of a subsidiary in prior year		–	(4,971)
Payment for purchase of property, plant and equipment		(4,494)	(646)
Proceeds from disposal of property, plant and equipment		–	3,557
Proceeds from disposal of leasehold land and buildings classified as assets held for sale		–	29,000
Proceeds from partial disposal of equity interest in an associate	17(b)	9,000	127,410
Payment for acquisition of an associate	17(b)	–	(360,000)
Net cash inflow from disposal of a subsidiary	34	–	78,705
Proceeds for consideration balance in relation to the disposal of a subsidiary in prior year		–	360,000
Refund of deposit for proposed disposal of a subsidiary		–	(1,000)
Release of pledged bank deposits		–	25,520
Interest received		24	239
Net cash generated from investing activities		4,530	257,814
Cash flows from financing activities			
Proceeds from disposal of shares for share reward scheme	30(d)	2,021	–
Repayment of bank borrowings	40(b)	(21,375)	(95,413)
Proceeds from new other borrowings	40(b)	29,541	73,271
Repayment of other borrowings	40(b)	(50,908)	(54,716)
Proceeds from issue of corporate bonds	40(b)	23,840	9,948
Payment for costs of issuing corporate bonds	40(b)	(2,130)	(472)
Repayment of corporate bonds	40(b)	(8,196)	(12,119)
Repayments of lease liabilities – principal	40(b)	(1,899)	(2,438)
Repayments of lease liabilities – interest	40(b)	(176)	(558)
Interest paid	40(b)	(17,394)	(42,301)
Net cash used in financing activities		(46,676)	(124,798)
Net decrease in cash and cash equivalents		(5,936)	(2,319)
Cash and cash equivalents at beginning of year		4,364	3,317
Effect of foreign exchange rates changes, net		3,488	3,366
Cash and cash equivalents at end of year	21	1,916	4,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

China NT Pharma Group Company Limited (the "**Company**") was incorporated in the Cayman Islands on 1 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 23 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is 28th Floor, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 April 2011.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Going concern basis

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going concern basis (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going concern basis (Continued)

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

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

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

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

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

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

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

(c) Basis of preparation

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

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

– Leasehold land and buildings;

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

– Contingent consideration payable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (Continued)

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(d) Adoption of amendments to HKFRSs

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

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Use Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

(f) Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKFRS 9 *Financial Instruments* ("**HKFRS 9**"), is measured at fair value with changes in fair value recognised in consolidated profit or loss in accordance with HKFRS 9. Other contingent consideration that is not within the scope of HKFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("**CGU**") (or groups of CGUs) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the CGUs (group of CGUs) to which the goodwill relates. If the recoverable amount of the CGUs (group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of CGUs) and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Business combinations and goodwill (Continued)

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(g) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2 above.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the consolidated income statement. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

When the assets cease to be classified as held for sales, it should be measured at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the assets (or disposal group) not been classified as held for sales; and its recoverable amount at the date of the subsequent decision not to sell.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment and depreciation

Property, plant and equipment (other than leasehold land and buildings and construction in progress) are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated income statement.

Leasehold land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the property revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement.

A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the property revaluation reserve to accumulated losses is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to accumulated losses.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

Buildings	20 years
Plant and machinery	5 to 20 years
Leasehold improvements	over the term of lease
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses as set out in notes (iv) to (viii) below.

(a) Club memberships

Club memberships represent the rights to use the club facilities for an indefinite period of time and are stated in the consolidated statement of financial position at cost less impairment losses (if any).

(b) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

(b) Research and development (Continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the consolidated income statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

The following intangible assets with finite use lives are stated at cost less accumulated amortisation and impairment losses (if any). Both the period and basis of amortisation of all intangible assets with finite useful lives are reviewed annually.

(c) Intellectual property rights

Intellectual property rights (including the acquired deferred development costs, note 2(i)(b) above) are carried at cost less accumulated amortisation and impairment losses (if any). Amortisation is charged to consolidated profit or loss on a straight line basis over a period of 3 years and 18.33 years.

(d) Trademarks

Trademarks that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (if any). Amortisation of trademarks is charged to consolidated profit or loss on a straight line basis over a period of 10 years.

(e) New medicine protection rights

New medicine protection rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (if any). Amortisation of exclusive agency rights is charged to consolidated profit or loss on a straight line basis over the agency period ranging from 4 to 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

(f) Exclusive agency rights

Exclusive agency rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (if any). Amortisation of exclusive agency rights is charged to consolidated profit or loss on a straight line basis over the agency period ranging from 4 to 10 years.

(g) Computer software

Computer software that is acquired by the Group is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (if any). Computer software is amortised over its estimated useful life of 5 to 10 years.

(j) Associates

An associate is an entity in which the Group has significant influence, which is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in consolidated profit or loss. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in consolidated statement of profit or loss and other comprehensive income. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

(k) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and assets classified as held for sale/assets of a disposal group classified as held for sale), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or CGU to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Financial assets

Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial liabilities at FVTPL) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in consolidated profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash (including all fees and points paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated profit or loss. The net gain or loss recognised in consolidated profit or loss includes any dividend or interest earned on the financial asset and is presented as the "fair value change on financial assets at FVTPL" in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in consolidated profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

ECLs are measured on either of the following bases:

– 12m ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting period date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including cash and bank balances), the Group recognises a loss allowance equal to 12m ECL s unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated profit or loss.

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in the consolidated profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, contingent consideration payable, lease liabilities and bank and other borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in consolidated profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial liabilities (Continued)

Convertible bond (under bank and other borrowings)

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

An early redemption option provides the Group to redeem its convertible bond before the maturity date at principal amount is an early redemption option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in consolidated profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to consolidated profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

Derecognition/substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated profit or loss.

When the contractual terms of convertible instruments are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in consolidated profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Redeemable convertible preference shares that contain an equity component

The component parts of the redeemable convertible preference shares are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the fair value of the liability component from the fair value of the compound instrument as a whole at the issue date. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible preference shares, the balance remained in equity. No gain or loss is recognised in consolidated profit or loss upon exercise of the conversion option.

Transaction costs that relate to the issue of the redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(q) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non- controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from shareholders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in consolidated profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(r) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "properties for/under development"/"properties for sale"/other respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in consolidated profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

(s) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provision above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

(t) Foreign currency translation

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("**functional currency**"). The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong dollars ("**HK$**") and the functional currency of the subsidiaries in the PRC is RMB. The financial statements are presented in RMB ("**presentation currency**").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in consolidated profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation (Continued)

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated profit or loss.

(u) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue represented the sales value of goods sold less returns, discounts and value added tax ("**VAT**").

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific locations (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibilities when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The only performance obligation of the contracts with customers is the provision of pharmaceutical products ordered by the customers and this performance obligation is satisfied at a point of time.

There is no warranty clause in the contracts with customers.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition (Continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Other employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 15% to 20% (2021: 15% to 20%) of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2021: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2021: HK$30,000). Contributions to the MPF scheme vest immediately.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in consolidated profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Other employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in share capital for the shares issued) or the option expires (when it is released directly to accumulated losses).

(iii) Share award scheme

The Company operates a share award scheme for the purpose of providing incentive and rewards to eligible participants. An employee share trust is established and administered by an independent trustee and is funded by the Group's cash contributions. The considerations paid including any related transaction costs by the Company to purchase shares of the Company for the Scheme are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees upon vesting. Upon vesting of the award shares, the corresponding amount in the shares held under share award scheme will be transferred to the relevant employees.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside consolidated profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously

in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax (Continued)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Bank deposits which are restricted to use are included in "Restricted cash at banks". Restricted cash at banks are excluded from cash and cash equivalents in the consolidated statements of cash flows.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent;

or

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties (Continued)

(b) (Continued)

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

(aa) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the consolidated income statement over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method. The benefit of the government loans granted at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Fair value measurement

The Group measures its financial assets at FVTPL at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors of the Company have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

Judgements

In the process of applying the Group's accounting policies, the directors of the Company have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value-in-use of the asset or CGU to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated profit or loss in the period in which it arises.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

Fair value of leasehold land and buildings

At the end of the reporting period, leasehold land and buildings are stated at fair value based on the valuation performed by a firm of independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in change in the fair value of the Group's leasehold land and buildings being recognised in the consolidated statement of other comprehensive income. The carrying amount of leasehold land and buildings measured at fair value at 31 December 2022 was approximately RMB479,028,000 (2021: RMB233,260,000) (note 14).

Estimated useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, while the intangible assets with definite useful lives are amortised on a straight-line basis over the estimated useful lives. The management of the Company reviews the estimated useful lives of the property, plant and equipment and intangible assets regularly in order to determine the amount of depreciation and amortisation to be recorded during each reporting period. The determines the estimated useful lives and basis for depreciation and amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on historical experience with similar assets, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The depreciation and amortisation for future periods is adjusted if there are material changes from previous estimates

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature.

Net realisable value could change significantly as a result of changes in customer preferences and competitor actions in response to market conditions. The management of the Company reassesses these estimates at the end of each reporting period.

Impairment of financial assets

The Group estimates the ECL for trade and other receivables by assessing the lifetime ECLs. This requires the use of estimates and judgements. Lifetime ECLs on trade receivables are based on the Group's historic credit loss experiences, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast of general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECL of trade and other receivables during their expected lives.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

Functional currency

The Company is carrying out its operating activities and making management decisions in Hong Kong and has significant degree of autonomy from its foreign subsidiaries in the way its business is managed. Most of the transactions and events of the Company are denominated in HK$. In the opinion of the directors of the Company, the functional currency of the Company is HK$.

Income taxes and deferred taxation

The Group is subject to corporate income taxes in the PRC and Hong Kong. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Fair value of the contingent consideration payable

At 31 December 2022, there was provision for the estimated fair value of contingent consideration payable of approximately RMB2,054,000 (2021: RMB7,800,000) in relation to the profit guarantee provided by the Group as further detailed in note 24, which is determined with reference to the expected profits of Miacalcic related business for the following 1 year ending on 31 December 2023 (2021: 2 years ending on 31 December 2022 and 2023) and its historic results. The estimation of the profit forecasts of Miacalcic related business are subject to accuracy of its expected future operating results of Miacalcic related business, relevant industry and the future economic conditions in the PRC for the future years to which the profit guarantee is related.

4. SEGMENT INFORMATION AND REVENUE

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

4. SEGMENT INFORMATION AND REVENUE (Continued)

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

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

Geographical information

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

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

4. SEGMENT INFORMATION AND REVENUE (Continued)

Information about major customer

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

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

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

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

5. OTHER INCOME AND GAIN

	2022 RMB'000	2021 RMB'000
Bank interest income	24	239
COVID-19-related rent concessions received (note (i))	–	44
Exchange gain, net	–	6,656
Fair value gain on contingent consideration payable (note 24)	5,746	–
Gain on disposal of a subsidiary (note 34)	–	45,073
Gain on disposal of leasehold land and buildings (note (ii))	–	12,734
Gain on early termination of lease	9	357
Government grants and subsidies (note (iii))	131	2,130
Referral fee income (note (iv))	1,208	–
Reversal of impairment loss on VAT (note 20(c)(i))	–	8,474
Sundry income	471	1,112
Reversal of over-accrued expenses in previous years	–	122
	7,589	76,941

Notes:

(i) The amount represented rent concessions from the landlord in relation to the COVID-19 pandemic during the year ended 31 December 2021. The concession did not constitute lease modification by applying the practical expedient that met the conditions in paragraph 46B of HKFRS 16.

(ii) On 28 March 2021, the Group entered into an agreement with an independent third party for the sale of certain leasehold land and buildings of the Group with carrying amount of approximately RMB16,266,000 at a total consideration of approximately RMB23,000,000 and subsequently revised the consideration to approximately RMB29,000,000. The disposal transaction was completed in April 2021. As a result, a gain of approximately RMB12,734,000 on disposal of leasehold land and buildings was recognised for the year ended 31 December 2021.

(iii) During the year ended the 31 December 2022, the Group received the government subsidies in relation to having provided maternity benefits to its employees in the PRC. The government subsidies recognised for the year ended 31 December 2021 included subsidies for the enterprises for not laying off its employees during the year of 2021.

The amount also included the government grants which had been received in respect of subsidy for staff costs according to the Employment Support Scheme ("**ESS**"), which was launched by The Government of the Hong Kong Special Administrative Region, which aimed to provide time limited financial support to the Group for the period from May to July 2022 to retain employees who might otherwise redundant. There was no ESS granted during the year ended 31 December 2021.

There are no unfulfilled conditions or other contingencies attached to these subsidies for both years.

(iv) The amount of approximately RMB1,208,000 (2021: Nil) represented a one-off referral income for introducing customers to an independent third, which are engaged in tax advisory services.

6. OTHER LOSSES

	Notes	2022 RMB'000	2021 RMB'000
Cost of litigation settlement		–	9,484
Fair value loss on contingent consideration payable	24	–	7,800
Loss on disposal of other property, plant and equipment, net		–	2,296
Loss on partial disposal of equity interest in an associate	17(b)	626	6,043
Provision for legal claims	37(a)	3,560	8,984
Provision for legal claims from an associate	37(b)	2,490	22,157
		6,676	56,764

7. FINANCE COSTS

	Notes	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings#		71,134	85,930
Interest on convertible bonds	26(e)	424	2,239
Interest on lease liabilities	14	176	558
		71,734	88,727

During the years ended 31 December 2022, the amounts comprised the default interest at rates of ranging from 6.53% to 36.50% (2021: 6.53% to 36.50%) per annum accrued on the overdue outstanding balance in accordance with the corresponding loan agreements.

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Notes	2022 RMB'000	2021 RMB'000
Depreciation on right-of-use assets (note (i))	14	**3,489**	5,619
Depreciation on property, plant and equipment (note (i))	14	**15,611**	34,658
Amortisation of intangible assets (note (i))	15	**1,970**	1,972
Employee benefit expenses (including directors' remuneration (note 10) (note (ii)):			
– Salaries, wages and other benefits		**21,232**	28,121
– Contributions to defined contribution retirement plans		**3,377**	4,015
– Equity-settled share-based payment expenses	30(d)	**604**	84
Minimum lease payments under operating leases	14	**46**	483
Auditors' remuneration			
– audit services		**1,380**	1,409
– non-audit services		**26**	–
Write-down of inventories included in general and administrative expenses		**1,680**	470
Cost of raw materials used		**63,254**	61,192
Promotional fees included in selling and distribution expenses (note (iv))		**40,646**	141,477
Impairment loss on prepayments included in general and administrative expenses	20(c)(iii)	**5,106**	–
Research and development costs included in general and administrative expenses		**3,762**	5,959

Notes:

(i) The total depreciation and amortisation of approximately RMB3,950,000, RMB5,000 and RMB17,115,000 (2021: RMB5,339,000, RMB9,000 and RMB36,901,000) are included in cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

(ii) Employee benefit expenses (including directors' remuneration) of approximately RMB7,317,000, RMB3,292,000 and RMB14,604,000 (2021: RMB8,535,000, RMB4,869,000 and RMB18,816,000) are included in cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

(iii) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2021: Nil).

(iv) For the both years, the amounts represented the promotional fees in relation to promotion and marketing services for the Group's branded products.

9. INCOME TAX EXPENSE

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

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax under these jurisdictions during the year ended 31 December 2022 (2021: Nil).

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of group entities that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the years ended 31 December 2022 and 2021.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2021, as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

The PRC CIT has been provided at the rate of 25% (2021:25%) on the taxable profits of the Group's subsidiaries in the PRC during the years ended 31 December 2022 and 2021. Certain subsidiaries of the Group, which are qualified small and micro-sized enterprises under Caishui [2019] No.13, are eligible for certain tax reduction. And a subsidiary which is qualified for High and New Technology Enterprises for 2020 to 2023 and would be entitled to enjoy a beneficial tax rate of 15% (2021: 15%), if the corresponding subsidiary incurred certain level of research and development expenses. During the year 31 December 2022, the subsidiary has not incurred sufficient research and development expenses to meet the required amount of such expenses, the statutory rate of 25% was applied accordingly.

9. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Loss before income tax	(54,296)	(148,752)
Tax at domestic income tax rate	(6,341)	(26,311)
Tax effect of income not taxable for tax purpose	(1,437)	(26,764)
Tax effect of expenses not deductible for tax purpose	4,975	11,280
Tax effect of unused tax losses not recognised	10,319	43,897
Tax effect of other temporary differences recognised	5,015	(7)
Concession	(952)	–
Under-provision in prior years	530	487
	12,109	2,582

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Mr. Ng Tit	–	1,558	–	16	–	1,574
Ms. Chin Yu	216	–	–	–	–	216
Mr. Wu Weizhong (note (i))	–	1,096	–	75	–	1,171
Non-executive directors						
Dr. Qian Wei	–	–	–	–	–	–
Independent non-executive directors						
Mr. Pan Fei (note (ii))	216	–	–	–	–	216
Mr. Yu Tze Shan Hailson	216	–	–	–	–	216
Dr. Zhao Yubiao	216	–	–	–	–	216
Mr. Ng Ming Kwan (note (iii))	–	–	–	–	–	–
Total	864	2,654	–	91	–	3,609

10. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2021

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Mr. Ng Tit	–	1,492	–	17	–	1,509
Ms. Chin Yu	–	–	–	–	–	–
Mr. Wu Weizhong (note (i))	–	1,542	–	102	–	1,644
Non-executive directors						
Dr. Qian Wei	–	–	–	–	–	–
Independent non-executive directors						
Mr. Pan Fei (note (ii))	207	–	–	–	–	207
Mr. Yu Tze Shan Hailson	207	–	–	–	–	207
Dr. Zhao Yubiao	207	–	–	–	–	207
Total	621	3,034	–	119	–	3,774

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group while the non-executive and independent non-executive directors' remuneration shown above were for their services as directors of the Company.

None of the directors has waived or agreed to waive any remuneration during the year (2021: Nil).

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

Notes:

(i) Mr. Wu Weizhong resigned as an executive director on 24 August 2022.

(ii) Mr. Pan Fei resigned as an independent non-executive director on 19 January 2023.

(iii) Mr. Ng Ming Kwan was appointed as an independent non-executive director on 19 January 2023.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Group during the year included one director (2021: two directors), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining four (2021: three) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments (note)	**2,953**	1,427
Contributions to retirement benefits schemes (note)	**385**	267
	3,338	1,694

Note: The amounts for the year ended 31 December 2022 shown above and in the table below included the total emoluments for the whole year ended 31 December 2022 of Mr. Wu Weizhong, a former executive director of the Group who resigned on 24 August 2022 and became categorised as an employee of the Group after resignation as an executive director of the Group.

The emoluments of the other four (2021: three) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
NIL to HK$1,000,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	–
	4	3

During the year ended 31 December 2022, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

12. DIVIDENDS

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

13. LOSS PER SHARE

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

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

Weighted average number of ordinary shares

	2022 **Number of shares** **'000**	2021 Number of shares '000
Weighted average number of ordinary shares in issue	**1,904,636**	1,904,636
Effect of shares repurchased, granted and held under share award scheme (note 30(d))	**(5,486)**	(15,023)
Weighted average number for the purposes of basic loss per share	**1,899,150**	1,889,613

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options and convertible bond (2021: outstanding share options or conversion of outstanding redeemable convertible preference shares and convertible bond of the Company) which had an anti-dilutive effect. Accordingly, diluted loss per share was the same as the basic loss per share for the year ended 31 December 2022.

14. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

	Property, plant and equipment									
	Buildings held for own use RMB'000	Property leased for own use RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost or valuation:										
At 1 January 2021	378,900	12,420	75,424	10,168	8,770	4,818	1,848	492,348	117,998	610,346
Additions	–	1,138	–	430	14	–	202	1,784	–	1,784
Disposals	(4,738)	–	(107)	(884)	–	(164)	(350)	(6,243)	–	(6,243)
Lease termination	–	(7,030)	–	–	–	–	–	(7,030)	–	(7,030)
Reclassified as held for sale (note 35)	(162,000)	–	(47,551)	(463)	(2,440)	(529)	(202)	(213,185)	(92,000)	(305,185)
Revaluation	(4,900)	–	–	–	–	–	–	(4,900)	–	(4,900)
Exchange realignment	–	(156)	–	(6)	(18)	(58)	–	(238)	–	(238)
At 31 December 2021 and 1 January 2022	207,262	6,372	27,766	9,245	6,326	4,067	1,498	262,536	25,998	288,534
Additions	–	1,666	363	–	–	–	4,131	6,160	–	6,160
Scrapped	–	–	(2,014)	–	–	–	–	(2,014)	–	(2,014)
Disposals	–	(803)	–	–	–	–	–	(803)	–	(803)
Lease termination	–	(5,721)	–	–	–	–	–	(5,721)	–	(5,721)
Reclassified from held for sale (note 35)	162,000	–	47,551	463	2,440	529	202	213,185	92,000	305,185
Revaluation	(6,232)	–	–	–	–	–	–	(6,232)	(2,000)	(8,232)
Exchange realignment	–	487	–	22	58	182	–	749	–	749
At 31 December 2022	363,030	2,001	73,666	9,730	8,824	4,778	5,831	467,860	115,998	583,858
Analysis of cost or valuation:										
At 31 December 2022										
– Cost	–	2,001	73,666	9,730	8,824	4,778	5,831	104,830	–	104,830
– Valuation	363,030	–	–	–	–	–	–	363,030	115,998	479,028
	363,030	2,001	73,666	9,730	8,824	4,778	5,831	467,860	115,998	583,858
At 31 December 2021										
– Cost	–	6,372	27,766	9,245	6,326	4,067	1,498	55,274	–	55,274
– Valuation	207,262	–	–	–	–	–	–	207,262	25,998	233,260
	207,262	6,372	27,766	9,245	6,326	4,067	1,498	262,536	25,998	288,534

14. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE (Continued)

	Property, plant and equipment									
	Buildings held for own use RMB'000	Property leased for own use RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation and amortisation:										
At 1 January 2021	–	3,515	47,615	9,651	7,608	4,129	–	72,518	–	72,518
Charge for the year	30,866	2,311	3,555	123	114	–	–	36,969	3,308	40,277
Reclassified as held for sale (note 35)	(16,904)	–	(34,820)	(428)	(1,403)	(58)	–	(53,613)	(2,706)	(56,319)
Written back on disposal	–	–	(96)	(147)	–	(147)	–	(390)	–	(390)
Written back on lease termination	–	(1,172)	–	–	–	–	–	(1,172)	–	(1,172)
Written back upon revaluation	(13,962)	–	–	–	–	–	–	(13,962)	(602)	(14,564)
Exchange realignment	–	(102)	–	(4)	(17)	(58)	–	(181)	–	(181)
At 31 December 2021 and 1 January 2022	–	4,552	16,254	9,195	6,302	3,866	–	40,169	–	40,169
Charge for the year	13,233	1,939	2,362	–	14	2	–	17,550	1,550	19,100
Written back on lease termination	–	(6,256)	–	–	–	–	–	(6,256)	–	(6,256)
Reclassified from held for sale (note 35)	47,197	–	47,551	463	2,440	529	–	98,180	26,803	124,983
Written back upon revaluation	(60,430)	–	–	–	–	–	–	(60,430)	(28,353)	(88,783)
Written back upon scrapped	–	–	(1,812)	–	–	–	–	(1,812)	–	(1,812)
Impairment for the year	–	–	–	55	23	–	–	78	–	78
Exchange realignment	–	405	–	17	45	195	–	662	–	662
At 31 December 2022	–	640	64,355	9,730	8,824	4,592	–	88,141	–	88,141
Net book value:										
At 31 December 2022	363,030	1,361	9,311	–	–	186	5,831	379,719	115,998	495,717
At 31 December 2021	207,262	1,820	11,512	50	24	201	1,498	222,367	25,998	248,365

14. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE (Continued)

Notes:

(a) As at 31 December 2022, certain banking facilities of the Group were secured by certain leasehold lands and buildings of the Group with aggregate carrying amount of approximately RMB465,000,000 (2021: RMB424,233,000) (note 26(a)). Such properties are located in the PRC under medium-term land leases.

As at 31 December 2022, an other borrowing was secured by the Group's residential units located in the PRC with aggregated carrying amount of approximately RMB14,028,000 (2021: RMB14,300,000) (note 26(b)).

(b) Fair value measurement of leasehold lands and buildings at 31 December 2022 and 2021

All of the Group's leasehold lands and buildings held for own use were revalued as at 31 December 2022 and 2021, except for those classified as assets held for sale/assets of a disposal group classified as held for sale as at 31 December 2021.

At 31 December 2022, the carrying amount of the Group's leasehold lands and buildings held for own use would have been approximately RMB24,187,000 and RMB113,973,000 (2021: RMB21,549,000 and RMB67,651,000), respectively had they been stated at cost less accumulated depreciation.

The valuations were independently carried out by Graval Consulting Limited ("**Graval**") (2021: Roma Appraisals Limited ("**ROMA**")), a firm of independent qualified professional valuers in Hong Kong, with over 10 years' experience in the location and category of assets being valued. After due consideration of the experience and credentials of Graval (2021: ROMA), the directors of the Company are satisfied that Graval (2021: ROMA) is competent to determine the valuation of the Group's leasehold lands and buildings. The directors of the Company have discussions with Graval (2021: ROMA) on the valuation assumptions and valuation results when the valuation was performed.

The fair value of leasehold lands and buildings is categorised as level 3 recurring fair value measurements.

Graval (2021: ROMA) adopted the income approach and market comparison approach in its valuation for the industrial leasehold lands and buildings and the residential units, respectively by assuming lease of the industrial leasehold lands and buildings and sale of the residential units in their existing states with the benefit of vacant possession and by making reference to comparable lease and sales transactions as available in the relevant market at 31 December 2022 and 2021 and as basis for estimating the market value of the Group's leasehold lands and buildings. The principal assumptions adopted are as follows:

– the owner leases the industrial leasehold lands and buildings and sells the residential units in the market in its existing state without the benefit or deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangements;

– no account has been taken of any option or right of pre-emption concerning or affecting the lease and sale of the leasehold lands and buildings; and

– no allowance has been made for the leasehold lands and buildings to be sold or be leased in one lot or to a single purchaser.

	Valuation technique	Unobservable inputs	Relationship of non-observable inputs to fair value
Leasehold lands and buildings (industrial) held for own use located in Suzhou City and Taizhou City, the PRC	Income approach	Market rent of the lands and building located in nearby Suzhou City, the PRC, RMB30 per square meter ("**sq.m.**") (2021: RMB30 per sq.m.) Market rent of the lands and building located in nearby Taizhou City, the PRC, ranged from RMB45 to RMB46 per sq.m. (2021: RMB45 per sq.m.)	A significant increase in market rent would result in a significant increase in the fair value, and vice versa
Buildings (residential units) held for own use located in Taizhou City, the PRC	Market comparison approach	Market value of the residential units located in nearby Taizhou City, the PRC, ranging from RMB12,162 to RMB13,915 per sq.m. (2021: RMB12,220 to RMB14,000 per sq.m.)	A significant increase in market value would result in a significant increase in the fair value, and vice versa

14. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE (Continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2022 RMB'000	2021 RMB'000
Interests in leasehold lands held for own use, located in the PRC, with remaining lease term of 28 and 41 (2021: 42) years, measured at fair value (note (i))	**115,998**	25,998
Property leased for own use, measured at cost less depreciation (note (ii))	**1,361**	1,820
	117,359	27,818

Notes:

(i) Interests in leasehold lands held for own use

The Group is the registered owner of two lands (2021: one land) located in Suzhou City and Taizhou City (2021: Taizhou City), the PRC which the land use rights have been granted up to 2056 and 2064 (2021: 2064), respectively. Lump sum payments were made upfront to acquire these land interests from the previous registered owners, and there are no ongoing payments to be made under the terms of the land leases.

(ii) Properties leased for own use

For both years, the Group leased several offices for its operations. Lease contracts are entered into for fixed term of 3 to 5 years (2021: 3 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes. None of the leases have extension or termination option as at 31 December 2022 (2021: Nil).

The analysis of expense items in relation to leases recognised in consolidated profit or loss is follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Interests in leasehold land held for own use	**1,550**	3,308
– Property leased for own use	**1,939**	2,311
	3,489	5,619
COVID-19-related rent concessions received (note 5)	**–**	44
Interest on lease liabilities (note 7)	**176**	558
Expenses relating to short-term leases not in the measurement of lease liabilities (note 8)	**46**	483

Details of total cash outflows for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 32 and 40(b), respectively.

15. INTANGIBLE ASSETS

	Intellectual property rights (note (a)) RMB'000	Trademarks RMB'000	New medicine protection rights RMB'000	Club memberships (note (c)) RMB'000	Computer software RMB'000	Exclusive agency rights (note (b)) RMB'000	Product development in progress (note (a)) RMB'000	Total RMB'000
Cost:								
At 1 January 2021	131,425	7,283	9,330	1,347	9,917	50,000	147,400	356,702
Exchange realignment	–	–	–	(39)	–	–	–	(39)
At 31 December 2021 and 1 January 2022	131,425	7,283	9,330	1,308	9,917	50,000	147,400	356,663
Exchange realignment	–	–	–	120	–	–	–	120
At 31 December 2022	131,425	7,283	9,330	1,428	9,917	50,000	147,400	356,783
Accumulated amortisation and impairment:								
At 1 January 2021	119,149	7,283	9,330	–	8,094	50,000	–	193,856
Charge for the year	1,546	–	–	–	426	–	–	1,972
At 31 December 2021 and 1 January 2022	120,695	7,283	9,330	–	8,520	50,000	–	195,828
Charge for the year	1,546	–	–	–	424	–	–	1,970
At 31 December 2022	122,241	7,283	9,330	–	8,944	50,000	–	197,798
Net book value:								
At 31 December 2022	9,184	–	–	1,428	973	–	147,400	158,985
At 31 December 2021	10,730	–	–	1,308	1,397	–	147,400	160,835

15. INTANGIBLE ASSETS (Continued)

(a) Intellectual property rights and products development in progress

Intellectual property rights represent patents, know-how and trademarks in relation to Xi Di Ke. Xi Di Ke is the commercial name of an uroacitides injection formula and a unique national class 1 new drug approved by the National Medical Products Administration ("**NMPA**") for the treatment of non-small cell lung cancer and breast cancer. An added indication of Xi Di Ke is for treating myelodysplastic syndrome ("**MDS of Xi Di Ke**") which is in clinical trial phase II.

At 31 December 2022, costs of Xi Di Ke amounted to approximately RMB38,542,000 (2021: RMB38,542,000) of which approximately RMB14,580,000, RMB3,000,000 and RMB20,962,000 (2021: RMB14,580,000, RMB3,000,000 and RMB20,962,000) were respectively related to the patents for drug use in treating non-small cell cancer and breast cancer, know-hows for MDS and trademarks of Xi Di Ke that were acquired by the Group in 2013. The patents of Xi Di Ke expired in October 2019. In 2015 and 2016, the Group submitted two applications for new patents of which the know-hows were developed on the existing patents for Xi Di Ke. The management of the Group is optimistic in obtaining the new patents for Xi Di Ke such that the legal protection period of the patents for Xi Di Ke will be extended further in the future. On 2 March 2017, the Good Manufacturing Practices Certificate for Xi Di Ke was granted by the NMPA to the Group and the costs of patents and trademarks for Xi Di Ke are amortised on a straight-line basis over their estimated useful lives of 3 years and 10 years, respectively, commencing from January 2017, based on the experience of management of the Group. During the year ended 31 December 2022, amortisation charge on patents and trademarks of Xi Di Ke in aggregate amounted to approximately RMB1,546,000 (2021: RMB1,546,000).

The capitalised costs of know-hows in respect of product development in progress relating to MDS of Xi Di Ke was incurred in 2019 and the MDS of Xi Di Ke were subject to further testing completion of clinical trial lll before it is launched by the Group in the future.

The management of the Group considers the current financial situation of the Group, the relevant clinical trial phase II and the drug testing have been paused since 2020 and the capitalised development costs are not subject to amortisation during the years ended 31 December 2022 and 2021 as regulatory approval for use has not been yet obtained.

Up to 31 December 2022, a total amount of approximately RMB147,400,000 (2021: RMB147,400,000) was capitalised in respect of the product development costs for MDS of Xi Di Ke, which was paid by the Group.

15. INTANGIBLE ASSETS (Continued)

(a) Intellectual property rights and products development in progress (Continued)

As at 31 December 2022, the carrying amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke were approximately RMB9,184,000 and RMB147,400,000 (2021: RMB10,730,000 and RMB147,400,000), respectively.

The directors of the Company are of the opinion that the carrying amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke could be fully recovered, based on the impairment assessment test as further detailed in note 15(d) below, and as such, no impairment on MDS of Xi Di Ke was considered necessary at both reporting period ends.

(b) Exclusive agency rights

Exclusive agency rights represent agency fees of approximately RMB30,000,000 and RMB20,000,000 prepaid to suppliers to secure the PRC distribution rights of 10 years and 4 years for two pharmaceutical products, respectively. These exclusive agency rights were amortised on a straight-line basis over their respective useful lives, being the period of agency rights. By the end of 2012, the Group decided to terminate an herbal dermatological product as a consequence of surging raw materials cost and relinquished the exclusive agency right. A full impairment loss of approximately RMB17,000,0000 was provided accordingly for the remaining book value of the exclusive agency right, in the previous years.

(c) Club memberships

Club memberships represent the rights to use the club facilities over an indefinite period of time. Accordingly, no amortisation has been charged to consolidated profit or loss during the years ended 31 December 2022 and 2021. The management of the Company considered that no impairment indicators for the club memberships for which the estimated fair value less cost of disposal exceeded the carrying amounts at 31 December 2022 (2021: Nil). At the end of both reporting periods, the carrying amounts of the club memberships were below their fair value less cost of disposal and accordingly, no impairment loss was considered necessary.

15. INTANGIBLE ASSETS (Continued)

(d) Impairment assessment tests on intellectual property rights and products development in progress

As at 31 December 2022, the recoverable amount of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke, which were allocated to an identified CGU, had been determined based on value-in-use calculations with reference to professional valuations performed by Graval (2021: ROMA), an independent firm of professional and qualified valuers with qualification and experience in the assets being valued. The calculation used cash flow projections based on financial budgets approved by the management of the Company covering a five-year period for the CGU in which the intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke belong. Cash flows beyond their respective projection periods are extrapolated using the following estimated long-term growth rates which were based on the relevant industry growth forecasts and did not exceed the average long-term growth rates for the businesses of the CGU to which intellectual property rights of Xi Di Ke and MDS of Xi Di Ke product development in progress relating to are allocated. Graval (2021: ROMA) estimated the following pre-tax discount rates on basis of weighted average cost of capital of the relevant entities with the Group, which also included additional risk premiums to reflect the size premium risk and specific risk of the respective CGU.

	2022	2021
Pre-tax discount rate	**20.86%**	22.76%
Long-term growth rate	**2%**	2%

15. INTANGIBLE ASSETS (Continued)

(d) Impairment assessment tests on intellectual property rights and products development in progress (Continued)

Based on the impairment assessment, the recoverable amounts of the CGU, to which these intangible assets of the intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke are allocated, exceeded their respective carrying amounts of the CGU and accordingly, no impairment for intellectual property rights of Xi Di Ke and product development in progress relating to MDS of Xi Di Ke were required at 31 December 2022 and 2021.

The Group has performed a sensitivity analysis on key assumptions used for impairment assessment tests on intellectual property rights and products development in progress. A reasonably possible change in key assumptions of discount rate and long-term growth rate which would not cause any CGU's carrying amount to exceed its respective recoverable amount.

The following table demonstrated whether downside effects would incur if below unexpected unfavorable changes on the assumptions for their respective discount rate and long-term growth rate applied to the impairment assessment:

	Impairment if downside effects incurred (Yes/No) As at 31 December	
	2022	2021
If discount rate +1%	**No**	No
If long-term growth rate -2%	**No**	No
If discount rate +1% and long-term growth rate -2%	**No**	No

16. GOODWILL

Goodwill of RMB1,250,000 was derived from prior year business acquisitions of NT (Beijing) Pharma Technology Development Co., Ltd. (泰凌(北京)醫藥科技開發有限公司) ("**NT (BJ) Pharma Technology**") and NT Tongzhou Pharma (Shanghai) Co., Ltd. (泰凌同舟醫藥(上海)有限公司) ("**NT Tongzhou Pharma (SH)**") as expected synergy at acquisition date, was allocated to the vaccine promotion and sales business segment, which was subsequently discontinued in 2012. Full impairment for goodwill was therefore made during the year ended 31 December 2012.

17. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**277,013**	277,936
Amount due to an associate (included in trade and other payables) (note 22)	**(66,221)**	(68,231)

Details of the Group's interests in associates, which are accounted for using equity method in the consolidated financial statements, are as follows:

Name of company	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Taizhou Medical City Yingtai Pharmaceutical Co., Ltd.# 泰州醫藥城盈泰醫藥有限公司 ("**Yingtai Pharm**")*	Incorporated	The PRC, limited liability company	RMB100,000,000	40% (2021: 40%)	–	40% (2021: 40%)	Sales of prescription medicines and provision of consulting services
Beijing Kangchen Biological Technology Co., Limited# 北京康辰生物科技有限公司 ("**Beijing Kangchen**")*	Incorporated	The PRC, limited liability company	RMB100,000,000	25.3% (2021: 26.3%)	–	25.3% (2021: 26.3%)	Sales of prescription medicines and provision of consulting services

\# The English translation of the company names is for reference only. The official names of these entities are in Chinese.

* 盈泰醫藥 and Beijing Kangchen are unlisted corporate entities whose quoted market price are not available.

(a) On 18 September 2016, the Group entered into an investment agreement with an independent third party, namely 泰州醫藥城盈商貿有限公司 (the "**Investor**"), pursuant to which, the Group and the Investor agreed to establish a company, Yingtai Pharm, which has registered capital of RMB100,000,000. The Group and the Investor contributed RMB40,000,000 and RMB60,000,000 to Yingtai Pharm in which the Group and the Investor own 40% and 60%, respectively. Since the Group has the power to appoint two directors out of five directors of the board of Yingtai Pharm, the Group can exercise significant influence over its operating and financial activities, accordingly, it is regarded as an associate of the Group using the equity accounting method. As at 31 December 2022, the Group has injected RMB20,000,000 (2021: RMB20,000,000) capital to Yingtai Pharm, and the remaining balance of RMB20,000,000 (2021: RMB20,000,000) as disclosed under capital commitments in note 38 to the consolidated financial statements.

17. INTERESTS IN ASSOCIATES (Continued)

(b) On 21 April 2020, the Group and Beijing Konruns Pharmaceutical Co., Ltd ("**Beijing Konruns**"), an independent third party to the Group entered into an agreement, pursuant to which, the Group conditionally agreed to subscribe for 40% equity interest in Beijing Kangchen, the wholly-owned subsidiary of Beijing Konruns, at a consideration of RMB360,000,000. The transaction was completed on 23 April 2021. A business valuation of 40% equity interest of Beijing Kangchen on same date was conducted by ROMA, using income approach to determine the fair value of the Beijing Kangchen. The gain on bargain purchase of approximately RMB19,400,000 (note 5) was recognised in consolidated profit or loss under share of results of associates for the year ended 31 December 2021.

The financial effect arising from the acquisition of Beijing Kangchen at the date of completion was summarised as follows:

	RMB'000
Fair value of identifiable net assets of the associate	588,500
Capital contribution by the Group	360,000
	948,500
Group's share of net assets of the associate	379,400
Less: total consideration in cash	(360,000)
Gain on bargain purchase under share of results of associates	19,400

Acquisition related costs amounting approximately to RMB1,400,000, was recognised as administrative expenses in consolidated profit or loss for the year ended 31 December 2021.

On 4 November 2021, the Group transferred 13.7% equity interest in Beijing Kangchen to Beijing Konruns at a consideration of approximately RMB127,410,000. A loss of approximately RMB6,043,000 (note 6) on partial disposal of equity interest in Beijing Kangchen was recognised in consolidated profit or loss for the year ended 31 December 2021. As at 31 December 2021, the Group held 26.3% equity interest of Beijing Kangchen.

During the year ended 31 December 2022, the Group disposed 1% equity interest in Beijing Kangchen to an independent third party at a consideration of RMB9,000,000 in cash. A loss on partially disposal of equity interest in Beijing Kangchen of approximately RMB626,000 (note 6) was recognised in consolidated profit or loss for the year ended 31 December 2022. As at 31 December 2022, the Group has held 25.3% equity interest of Beijing Kangchen.

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

17. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

Yingtai Pharm

	2022 RMB'000	2021 RMB'000
Gross amounts of the associate's		
Current assets	10,944	50,396
Current liabilities	(8,179)	(8,179)
Total equity	2,765	42,217
Revenue	–	–
Loss for the year	(39,451)	(31)
Total comprehensive loss	(39,451)	(31)
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	2,765	42,217
Percentage of equity interest attributable to the Group	40%	40%
Group's share of net assets of the associate	1,106	16,887
Carrying amount in the consolidated financial statements	1,106	16,887
Aggregate amounts of the Group's share of the associate		
Loss for the year	(15,780)	(12)
Total comprehensive loss	(15,780)	(12)

17. INTERESTS IN ASSOCIATES (Continued)

(c) (Continued)

Beijing Kangchen

	2022 RMB'000	2021 RMB'000
Gross amounts of the associate's		
Non-current assets	**1,106,060**	1,121,443
Current assets	**230,757**	115,228
Non-current liabilities	**(156)**	–
Current liabilities	**(246,122)**	(244,089)
Total equity	**1,090,539**	992,582
Revenue	**312,361**	247,938
Profit for the year	**97,957**	73,045
Other comprehensive income	**–**	–
Total comprehensive income	**97,957**	73,045
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	**1,090,539**	992,582
Percentage of equity interest attributable to the Group	**25.3%**	26.3%
Group's share of net assets of the associate	**275,907**	261,049
Carrying amount in the consolidated financial statements	**275,907**	261,049
Aggregate amounts of the Group's share of the associate		
Profit for the year	**24,783**	15,102
Other comprehensive income	**–**	–
Total comprehensive income	**24,783**	15,102
Gain on bargain purchase (note 17(b))	**–**	19,400
Share of results of the associate	**24,783**	34,502

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022 and 2021, the Group's financial asset at FVTPL represents the club debenture that is stated at fair value. The club debenture is interest-free and no restriction to transfer.

The fair value was determined with reference to the recent similar market transactions around/or at the reporting period end and the cost of disposal is estimated by the management of the Company after taking into account of the handling charges to be charged by the club and other transaction costs in disposal of the club debenture.

	2022 RMB'000	2021 RMB'000
At 1 January	**521**	537
Exchange realignment	**48**	(16)
At 31 December	**569**	521

19. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2022 RMB'000	2021 RMB'000
Raw materials	**8,096**	14,334
Finished goods	**2,222**	17,671
	10,318	32,005

As at 31 December 2021, certain other borrowings of the Group were secured by certain inventories of the Group with net carrying amount amounting of RMB7,786,000 (note 26(b)).

20. TRADE AND OTHER RECEIVABLES

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

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

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

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

20. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis (Continued)

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

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

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

20. TRADE AND OTHER RECEIVABLES (Continued)

(b) Allowance for ECL on trade receivables

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

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

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

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

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

The Group adopted a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of the customers. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 32 to the consolidated financial statements.

At 31 December 2022, trade receivables of approximately RMB210,000 (2021: RMB232,000), net of ECL allowances were pledged to secure for the Group's borrowings (note 26(b)).

20. TRADE AND OTHER RECEIVABLES (Continued)

(c) Deposits, prepayments and other receivables

	2022 RMB'000	2021 RMB'000
Consideration receivable (note 34)	**7,000**	7,000
VAT recoverable, net of write-off (note (i))	**5,449**	5,539
Other receivables, net of ECL (note (ii))	**8,332**	8,984
Prepayments (note (iii))	**2,216**	11,066
Advances paid to suppliers	**210**	148
Rental and other deposits	**312**	1,066
	23,519	33,803

Notes:

(i) During the year ended 31 December 2021, a subsidiary of the Company received a government subsidy in the form of VAT refund of RMB8,474,000 which was impaired in previous year, a reversal of impairment loss on VAT of RMB8,474,000 was recognised for the year ended 31 December 2021 under other income and gain (note 5).

(ii) For the purpose of impairment assessment of other receivables, debtors with significant balances with gross carrying amounts of approximately RMB11,318,000 (2021: RMB5,807,000) as at 31 December 2022 were assessed individually and determined to be credit impaired. These individually assessed receivables mainly comprised prepayments of promotional and other operational expenses in prior years.

(iii) As at 31 December 2022 and 2021, the amount mainly represented prepayments to the suppliers for the procurement of inventories and prepayments on operational expenses. During the year ended 31 December 2022, certain prepayments amounted to approximately RMB 5,106,000 (2021: Nil) were considered irrecoverable and were impaired, which were recognised under general and administrative expenses.

The movements in the loss allowance for impairment of deposits and other receivables.

	2022 RMB'000	2021 RMB'000
At 1 January	**128,322**	121,953
Provision for loss allowance for impairment, net	**11,318**	5,807
Exchange realignment	**(423)**	562
At 31 December	**139,217**	128,322

20. TRADE AND OTHER RECEIVABLES (Continued)

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

The remaining financial assets included in the above balances are neither past due nor impaired as at 31 December 2022 and 2021, for which there was no recent history of default. The recoverability was assessed with reference to credit status of the debtors and the ECL as at 31 December 2022 and 2021 are considered by the management of the Company to be minimal.

The Group has applied the general approach to provide for 12m ECL on other receivables. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the ECL rate.

21. CASH AND BANK BALANCE

	2022 RMB'000	2021 RMB'000
Cash and cash equivalent	1,916	4,364
Restricted cash at banks (Note)	4,015	5,079
Total cash and bank balances	5,931	9,443

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

Bank balances carry interest at floating rates based on daily deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, there was approximately RMB5,821,000 (2021: RMB7,672,000) deposited with banks in the PRC. RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Statement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currency through authorized banks to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables (note (i))	**37,742**	44,630
Accrued staff costs	**1,838**	2,691
Accrued promotional expenses	**37,714**	22,434
Other tax payable	**7,196**	6,785
Interest payables (note (ii))	**121,123**	63,824
Provision for legal claims (note 37(a))	**37,011**	33,451
Provision for legal claims from an associate (notes 17 and 37(b))	**66,221**	68,231
Other payables and accruals (note (iii))	**2,955**	7,619
	311,800	249,665

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

Notes:

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

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

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

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

23. CONTRACT LIABILITIES

For both years, contract liabilities are arising from sales of proprietary products, as the Group receives a deposit from certain customers when purchase orders are confirmed with the Group and before the products are delivered to the customers. Contract liabilities are expected to be recognised as revenue within one year in general.

	2022 **RMB'000**	2021 RMB'000
Advances received from customers	**4,798**	6,097

Movements in contract liabilities are as follows:

	2022 **RMB'000**	2021 RMB'000
At 1 January	**6,097**	5,808
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(5,810)**	(4,976)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	**(9,831)**	(9,182)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**14,342**	14,447
At 31 December	**4,798**	6,097

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales of proprietary pharmaceutical products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations that had an original expected duration of one year or less.

24. CONTINGENT CONSIDERATION PAYABLE

	2022 RMB'000	2021 RMB'000
At 1 January	7,800	–
Change in fair value (notes 5 and 6)	(5,746)	7,800
At 31 December	2,054	7,800

The fair value of the contingent consideration payable is related to a profit guarantee given by the Group to Beijing Kangchen, to which the entire equity interests in NT Pharma International Company Limited 泰凌醫藥國際有限公司 was disposed by the Group in September 2020, in respect of the profit after tax before interest, depreciation and amortisation of Miacalcic related business recognised in Beijing Kangchen's consolidated financial statements ("**Adjusted Profit**") shall not be less than of RMB80,000,000, RMB100,000,000 and RMB120,000,000 for the three financial years ended/ending 31 December 2021, 2022 and 2023, respectively.

If the Adjusted Profit fail to meet the stipulated profit guarantee for any of these financial years ended 31 December 2021, 2022 and financial year ending 2023, the Group shall compensate Beijing Kangchen, based on the terms of the relevant sale and purchase agreement dated 21 April 2020, as set out in a circular of the Company dated 5 June 2021.

The actual Adjusted Profit for the years ended 31 December 2021 and 2022 exceeded the stipulated amount of RMB80,000,000 and RMB100,000,000 under the profit guarantee in accordance with the relevant sale and purchase agreement.

The contingent consideration payable represents the fair value of the profit guarantee in accordance with the relevant sale and purchase agreement, which is determined by reference to the valuation performed by Graval (2021: ROMA). As at 31 December 2022, the fair value of the contingent consideration payable was estimated by applying probabilistic approach and income approach with reference to the profit forecasts of Beijing Kangchen for each of the year ending 31 December 2023.

The variables and assumptions used in computing the fair value of the contingent consideration payable are based on the management's best estimates. The fair value of contingent consideration payable as at 31 December 2022 is a level 3 fair value measurement (2021: same).

25. LEASE LIABILITIES

The carrying amounts of the Group's lease liabilities are as follows:

	Present value of minimum lease payment as at 31 December 2022 RMB'000	Minimum lease payment as at 31 December 2022 RMB'000	Present value of minimum lease payment as at 31 December 2021 RMB'000	Minimum lease payment as at 31 December 2021 RMB'000
Leases liabilities payable:				
Within 1 year	946	1,081	1,605	1,677
After 1 year but within 2 years	463	482	390	396
	1,409	1,563	1,995	2,073
Less: Total future interest expenses		(154)		(78)
Present value of lease liabilities		1,409		1,995
Analysed into:				
Current portion		946		1,605
Non-current portion		463		390
		1,409		1,995
Analysed by:				
Leasehold properties		1,409		1,995

26. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

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

26. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2022, secured bank borrowings comprised of three (2021: three) borrowing with carrying amounts of RMB119,000,000, RMB69,073,000 and RMB160,000,000 (2021: RMB119,000,000, RMB90,448,000 and RMB160,000,000) from a bank in the PRC, which were secured by leasehold land and building of the Group with aggregate carrying amount of approximately RMB465,000,000 (2021: RMB424,233,000) as at 31 December 2022 (note 14(a)) and were guaranteed by an executive director of the Company, Mr. Ng Tit. Interest rate were fixed and charged at 4.35% (2021: 4.35%) per annum for each borrowings. The borrowings are repayable in December 2021, December 2021 and June 2022, respectively.

During the year ended 31 December 2022, the local court in Suzhou, the PRC, namely, 蘇州工業園區人民法院 has forced a deduction of the cash deposits of approximately RMB21,375,000 (2021: Nil) from certain subsidiaries' bank accounts to repaid one of the bank borrowings.

All bank borrowings were overdue during the year and fixed default rate of 6.53% per annum in accordance to the banking facilities.

No principal repayment has been made by the Group as of the date of approval of the consolidated financial statements. The management of the Company is under the negotiation process with the bank for revision of repayment schedule and loan extension.

As at 31 December 2022, the Group has several banking facilities of RMB369,448,000 (2021: RMB369,448,000), which RMB348,073,000 (2021: RMB369,448,000) were utilised.

(b) Secured other borrowings carried fixed interest rates ranged from 7.00% to 24.00% (2021: 6.17% to 15.00%) per annum, which were secured by the Group's residential units with aggregated carrying amount of approximately RMB14,028,000 (2021: RMB14,300,000)(note 14(a)), certain trade receivables, net of ECL amounted to approximately RMB210,000 (2021: RMB232,000) (note 20(b)) and 89% equity interest of NT Biopharmaceutical Jiangsu Co., Ltd. (泰凌生物製藥江蘇有限公司) ("**NT Biopharmaceuticals Jiangsu**") (2021: same) and were guaranteed by certain subsidiaries and two executive directors of the Company, Mr. Ng Tit and Ms. Chin Yu (2021: same) as at 31 December 2022. The balance as at 31 December 2021 also secured by certain inventories with net carrying amount of approximately RMB7,786,000 (note 19) as at 31 December 2021.

Including in the balance, total amounts of approximately RMB86,934,000 (2021: RMB9,519,000) were overdue as at 31 December 2022. No default interest rate is specified in accordance with the corresponding loan agreements.

(c) Unsecured other borrowings as at 31 December 2022 comprised of:

(i) Borrowings with approximately RMB32,694,000 (2021: RMB61,133,000) in total are carried fixed interest rates ranged from 5.00% to 24.00% (2021: 4.79% to 6.75%) per annum and repayable on demand;

(ii) Balances of RMB206,626,000 (2021: RMB192,799,000) carried fixed interest rates ranged from 5.00% to 10.00% (2021: 10%) per annum and repayable in June and December 2023 (2021: June 2023);

(iii) Two borrowings with aggregated amount of RMB50,000,000 (2021: RMB50,000,000) from two independent third parties to the Group in relation to the investment in a subsidiary of the Company, NT Biopharmaceuticals Jiangsu which carried fixed interest rate of 6.18% (2021: 6.18%) per annum and repayable on demand (2021: same), the details are set out in note 36(ii); and

(iv) A borrowing from a director of a subsidiary of the Group with carrying of RMB6,200,000 (2021: RMB6,200,000) which are interest-free and repayable on December 2023.

The weighted average interest rate of the unsecured other borrowings was 11.01% (2021: 9.20%) per annum.

26. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(d) The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	8.0% corporate bonds due 2021	8.5% corporate bonds due 2021	8.5% corporate bonds due 2021	8.0% corporate bonds due 2021	12% corporate bonds due 2021	13.5% corporate bonds due 2021	6.0% corporate bonds due 2021	0.3% corporate bonds due 2023	5.0% corporate bonds due 2023	8.0% corporate bonds due 2023	12% corporate bonds due 2023	13.5% corporate bonds due 2023	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	9,046	3,000	753	–	–	–	14,198	–	–	–	–	–	26,997
Issuance during the year	–	–	–	6,673	1,640	1,635	–	–	–	–	–	–	9,948
Transaction costs	–	–	–	(398)	(50)	(24)	–	–	–	–	–	–	(472)
Interest charged	472	105	158	477	24	20	1,998	–	–	–	–	–	3,254
Interest paid	(261)	(103)	(69)	(272)	(19)	–	(486)	–	–	–	–	–	(1,210)
Interest payable included in other payables and accruals (note 26)	–	–	–	–	–	(18)	(494)	–	–	–	–	–	(512)
Repayment during the year	(9,119)	(3,000)	–	–	–	–	–	–	–	–	–	–	(12,119)
Exchange realignment	(138)	(2)	(25)	(137)	(5)	(1)	(438)	–	–	–	–	–	(746)
At 31 December 2021 and 1 January 2022	–	–	817	6,343	1,590	1,612	14,778	–	–	–	–	–	25,140
Issuance during the year	–	–	–	–	–	–	–	13,412	5,639	4,789	1,726	1,294	26,860
Transaction costs	–	–	–	–	–	–	–	(1,117)	(538)	(475)	–	–	(2,130)
Interest charged	–	–	63	265	207	233	1,035	9	121	154	20	14	2,121
Interest paid	–	–	(63)	(265)	(207)	(233)	(513)	–	–	–	–	–	(1,281)
Interest payable included in other payables and accruals (note 26)	–	–	–	–	–	–	(522)	(9)	(121)	(154)	(20)	(14)	(840)
Repayment during the year	–	–	(863)	(6,902)	(1,724)	(1,727)	–	–	–	–	–	–	(11,216)
Exchange realignment	–	–	46	559	134	115	1,374	435	180	(61)	11	22	2,815
At 31 December 2022	–	–	–	–	–	–	16,152	12,730	5,281	4,253	1,737	1,316	41,469

The Group's corporate bonds were denominated in HK$, with duration of three months to four years (2021: three months to four years) from the date subscribed.

As at 31 December 2022 and 2021, none of the corporate bonds were default and all the bonds' holders are independent third parties to the Group.

(e) Convertible bonds

On 18 April 2019, the Company issued 5% convertible bond with a principal amount of HK$234,600,000. The convertible bonds entitle the holder to convert into ordinary shares of the Company at any time between the issue date of the convertible bonds and the maturity date on 17 April 2022 at a conversion price of HK$0.742 per conversion share. If the convertible bonds have not been converted or redeemed, it will be redeemed on 17 April 2022 at par. Interest accruing at the rate of 5% per annum on the convertible bond will be paid semi-annually until the maturity date.

The major terms of the convertible bond are as follows:

(1) Conversion by the bondholder

The bondholder may at any time before the maturity date requires the Company to convert the whole or any part of the outstanding principal amount of the convertible bond into ordinary shares of the Company at the initial conversion price of HK$0.742 per conversion share.

26. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e) Convertible bonds (Continued)

(2) Redemption at maturity

Unless previously converted or purchases and cancelled, the Company will redeem each bond at the outstanding principal amount on the maturity date.

(3) Redemption at the option of the Company

The Company shall not be entitled to redeem the convertible bond in whole or in part at any time prior to the maturity date, except by mutual consent of the bondholder and the Company.

(4) At initial recognition date, the Company determined the fair value of the embedded conversion option and liability component of the convertible bond based on the valuations performed by JLL using discounted cash flow approach (as for the straight debt component) and polynomial pricing model. The effective interest rate of the liability component of the convertible bond was 24.42% per annum.

The debt component of the convertible bond is carried at amortised cost and the conversion option of the convertible bond is accounted for as a derivative with FVTPL.

	Liability component RMB'000	Financial liabilities under conversion option at FVTPL RMB'000	Total RMB'000
At 1 January 2021	9,872	472	10,344
Interest amortised and charged to consolidated profit or loss (note 7)	2,239	–	2,239
Change in fair value	–	(465)	(465)
Exchange realignment	(317)	(7)	(324)
At 31 December 2021 and 1 January 2022	**11,794**	**–**	**11,794**
Interest amortised and charged to consolidated profit or loss (note 7)	**424**	**–**	**424**
Reclassified to other borrowings upon maturity	**(11,524)**	**–**	**(11,524)**
Exchange realignment	**(694)**	**–**	**(694)**
At 31 December 2022	**–**	**–**	**–**

In May 2019, the certain bonds' holders had converted the bonds to into 298,172,506 ordinary shares. During the year ended 31 December 2021, the debt component of the convertible bond and the interest payable of approximately RMB10,317,000 and RMB1,477,000, were included in other borrowings and other payables and accruals (note 22), respectively.

The convertible bonds were matured on 17 April 2022, the amount due was reclassified as other borrowings accordingly.

There is no conversion of convertible bond during the years ended 31 December 2022 and 2021.

27. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation surplus on leasehold lands and buildings RMB'000
At 1 January 2021	63,688
Credited to other comprehensive income	(6,606)
At 31 December 2021 and 1 January 2022	**57,082**
Charged to other comprehensive income	**20,138**
At 31 December 2022	**77,220**

Deferred tax assets not recognised

As at 31 December 2022, the Group had unused tax losses of approximately RMB767,570,000 (2021: RMB841,636,000) available to offset against future profits sourced in the PRC. Such unused tax losses are subject to the approval of the PRC tax authorities and can be carried forward for five years from the year when the corresponding loss was incurred. Also, as at 31 December 2022, the Group had unused tax losses of approximately HK$38,398,000 (equivalent to approximately RMB34,301,000) (2021: HK$22,348,000 (equivalent to approximately RMB18,265,000)) available to offset against future profits sourced in Hong Kong. Such unused tax losses are subject to the approval of Hong Kong Inland Revenue Department and may be carried forward indefinitely. No deferred tax asset has been recognised for above-mentioned tax losses due to unpredictability of future profit streams.

Deferred tax liabilities not recognised

Pursuant to the CIT Law, 10% withholding tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable.

As at 31 December 2022, the Group has not recognised the provision of the PRC withholding tax of approximately RMB250,994,000 (2021: RMB200,761,000) in relation to the undistributed profits of certain PRC subsidiaries totalling approximately RMB12,550,000 (2021: RMB10,038,000), as the Company is in a position to control the dividend policy of the PRC subsidiaries and it has been determined that it is probable that undistributed profits of the PRC subsidiaries will not be distributed in the foreseeable future.

28. SHARE CAPITAL

A summary of movements in the Company's issued share capital during the years ended 31 December 2022 and 2021 are as follows:

	No of shares '000	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,904,636	1

Note: The Company was incorporated on 1 March 2010 with an authorised share capital of United States dollar ("**US$**") 50,100 divided into 626,250,000,000 shares of US$0.00000008 each and one share was issued at par upon incorporation.

On 5 June 2017, the authorised share capital of the Company was re-designated from US$50,100 comprising 626,250,000,000 ordinary shares of US$0.00000008 each into US$50,100 comprising (i) 625,925,000,000 ordinary shares of par value of US$0.00000008 each, and (ii) 325,000,000 redeemable convertible preference shares of par value of US$0.00000008 each with the rights, privileges and restrictions of the redeemable convertible preference shares.

29. RESERVES

(i) Share premium

The share premium represents the difference between the nominal value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of non-PRC entities. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

(iii) Statutory reserve

Pursuant to applicable the PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary.

29. RESERVES (Continued)

(iv) Merger reserve

The merger reserve represents the difference between the net assets of the subsidiaries acquired in 2005, which were under common control of the controlling shareholders, and the cash consideration paid.

(v) Other reserve

The Company's other reserve arose from the transfer of the entire equity interest in NT Pharma (Group) Co., Ltd. ("**NT Group**") from NT Pharma Holdings Company Limited ("**NT Holdings**") to the Company and acquisition of non-controlling interests in a wholly-owned subsidiary of the Company, Suzhou First Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司) ("**Suzhou First Pharma**").

The Group's other reserve arose from the capitalisation of the amount due to NT Holdings as a result of the reorganisation and represented the difference between the amount due to NT Holdings of RMB383,380,000 and the nominal value of the shares of the Company issued in exchange thereof.

During the year ended 31 December 2017, the Group declared final dividend of HK3.5 cents per ordinary share which amounted to approximately RMB56,709,000 were distributed from the other reserve and paid in 2018.

(vi) Capital reserve

At 31 December 2022, the capital reserve comprised of the portion of the grant date fair value of unexercised share options to employees of the Group, that was recognised in accordance with the accounting policy adopted for share-based payments as set out in note 2(w)(ii).

At 31 December 2021, it also included costs of the Company's shares purchased for the share award scheme (note 30(d)) less the fair value of share-based payments in respect of such shares awarded to the employees which were vested at award date and recognised in accordance with the accounting policy as set out in note 2(w)(iii). Such share award scheme was cancelled during the year ended 31 December 2022 (note 30(d)).

(vii) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for leasehold lands and buildings held for own use in note 2(h), which represented cumulative gains and losses arising on the revaluation of the corresponding leasehold lands and buildings that have been recognised in other comprehensive income. Such items will not be reclassified to consolidated profit or loss in subsequent periods.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

NT Holdings operated a share option scheme which was adopted on 18 September 2009 ("**2009 Share Option Scheme**"). Under the scheme, certain employees of the Group may be granted share options to acquire the shares in NT Holdings. The options vest after one to three years from the date of grant and are exercisable within ten years after the date of grant. Each option gives the holder the right to subscribe for one ordinary share in NT Holdings.

On 7 April 2011, the directors of NT Holdings terminated the 2009 Share Option Scheme and the directors of the Company adopted the Pre-IPO Share Option Scheme under which each option gives the holder the right to subscribe for one ordinary share in the Company. Under the Pre-IPO Share Option Scheme, each grantee of options under the 2009 Share Option Scheme exchanged his/her options under the 2009 Share Option Scheme for options under the Pre-IPO Share Option Scheme on a 2 for 1 basis. The exercise price payable by the grantees for each option granted under the Pre-IPO Share Option Scheme is double the exercise price payable by the grantees for their respective options granted under the 2009 Share Option Scheme (save for those options which have an exercise price of 70% of the price at which the Company offered its shares for subscription in the public offering on 20 April 2011 (the "**Offer Price**")). All other terms of the Pre-IPO Share Option Scheme are identical to the 2009 Share Option Scheme. The exchange of the share options was considered a modification to the 2009 Share Option Scheme.

The Company adopted a share award scheme on 11 January 2012 which was subsequently terminated on 6 March 2014.

A new share option scheme was approved and adopted by the shareholders of the Company pursuant to an ordinary resolution passed on 22 September 2014 ("**2014 Share Option Scheme**"). The 2014 Share Option Scheme was set up for the purpose to provide rewards and incentives to eligible participants for their contribution to the Group. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of such a share option; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding to the day of offer of such a share option; and (iii) the nominal value of the shares. A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days from the date of making such offer.

The maximum number of shares in respect of which options may be granted under the 2014 Share Option Scheme and any other share option schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the 2014 Share Option Scheme. The maximum number of shares issuable under 2014 Share Option Scheme to each eligible participant within any 12-month period is limited to 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

(a) The terms and conditions of the grants (after modification)

Date	Number of options	Vesting conditions	Exercise period
Options granted to directors:			
– 15 January 2015	8,000,000	Vesting of the options is conditional upon the performance of the participant. Options granted are vested in 3 equal tranches from 1 January each year from 2016 to 2018	On or prior to 14 January 2025
	8,000,000		
Options granted to employees:			
– 10 November 2014	487,500	Immediate from the date of grant	On or prior to 9 November 2024
– 10 November 2014	1,462,500	Exercisable in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024
– 10 November 2014	850,000	Vesting of the options is conditional upon the performance of the participants. Options granted are vested in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024
– 15 January 2015	1,200,000	Vesting of the option is conditional upon the performance of the participants. Fully vested in the third anniversary of the date of grant	On or prior to 14 January 2025
	4,000,000		
Options granted to consultants (as quasi-employee):			
– 15 January 2015	9,000,000	Vesting of the option is conditional upon the performance of the participants. Fully vested in the third anniversary of the date of grant	On or prior to 14 January 2025
	21,000,000		

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

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

	2022		2021	
	Weighted average exercise price	Weighted Number of options	Weighted average exercise price	Weighted Number of options
Outstanding at the beginning of the year	**US$0.16**	**20,200,000**	US$0.16	20,200,000
Outstanding at the end of the year	**US$0.16**	**20,200,000**	US$0.16	20,200,000
Exercisable at the end of the year	**US$0.16**	**20,200,000**	US$0.16	20,200,000

The share options outstanding at 31 December 2022, which were granted under 2014 Share Option Scheme, had exercise price of US$0.16 (2021: US$0.16) and weighted average remaining contractual life of 2.02 years (2021: 3.02 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial lattice model.

Fair value of share options and assumptions	Options granted on 10 November 2014	Options granted on 15 January 2015
Fair value at measurement date	HK$0.87	HK$0.67
Share price	HK$1.24	HK$1.20
Exercise price	HK$1.25	HK$1.23
Expected volatility	61.66%	74.90%
Option life	10 years	10 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.83%	1.49%

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share option schemes (Continued)

(c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historical volatility of listed companies in similar industries (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

No share option was granted during the years ended 31 December 2022 and 2021.

(d) Share award scheme

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

During the years ended 31 December 2022 and 2021, the trustee had not purchased any shares of the Company for the share award scheme, while 3,850,000 (2021: 800,000) shares were awarded to an eligible employee under the share award scheme, with aggregate fair value of approximately RMB604,000 (2021: RMB84,000) at award dates when they were vested, which was charged to consolidated profit or loss during the year ended 31 December 2022.

During the year ended 31 December 2022, the Company has terminated the share award scheme. Accordingly, the corresponding capital reserve of approximately RMB35,259,000 (2021: Nil) in relation to the cost of purchased shares for share award scheme were reclassified to accumulated losses.

Followed by the termination, the remaining 11,159,336 (2021: Nil) shares of the Company were disposed by the Company to the public market at market price consideration of approximately RMB2,021,000 (2021: Nil) received.

31. FINANCIAL INSTRUMENTS BY CATEGORIES

	2022 RMB'000	2021 RMB'000
Financial assets		
At FVTPL	569	521
At amortised cost		
Trade and other receivables	49,310	29,502
Cash and bank balances	5,931	9,443
	55,810	39,466
Financial liabilities		
At amortised cost		
Trade and other payables	302,766	240,189
Lease liabilities	1,409	1,995
Bank and other borrowings	825,045	830,115
	1,129,220	1,072,299
Contingent consideration payable of FVTPL	2,054	7,800
	1,131,274	1,080,099

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's principal financial instruments comprise financial assets at FVTPL, trade and other receivables, cash and bank balances, trade and other payables, contingent consideration payable, lease liabilities and bank and other borrowings. These financial instruments mainly arise from its operations. Details of the financial instruments are disclosed in respective notes.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are the major banks in the PRC and Hong Kong with established credit ratings, for which the Group considers to have low credit risk. Given the high credit ratings of the banks, the management of the Company does not expect any counterparties to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% and 25% (2021: 18% and 33%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the reporting period. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

Maximum exposure and year-end staging as at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables	–	–	–	33,666	33,666
Financial assets included in deposits and other receivables	15,644	–	–	–	15,644
Bank balances	5,931	–	–	–	5,931
	21,575	–	–	33,666	55,241

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Maximum exposure and year-end staging as at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables	–	–	–	12,452	12,452
Financial assets included in deposits, and other receivables	17,050	–	–	–	17,050
Bank balances	9,443	–	–	–	9,443
	26,493	–	–	12,452	38,945

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 210 days from the date of billing. The Group does not obtain collateral from its customers.

For trade receivables, the Group applies the simplified approach for measuring the lifetime ECLs on individual basis if the amounts are insignificant, or collective basis using the provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

The following table provides information about the Group's exposure to credit risk and lifetime ECLs for trade and bills receivables (based on past due dates):

As at 31 December 2022

	ECL rate	Gross carrying amount RMB'000	ECL RMB'000	Net carrying amount RMB'000
Neither past due nor impaired	0.08%	9,491	(8)	9,483
Within 3 months past due	2.99%	15,198	(455)	14,743
More than 3 months but within 6 months past due	13.46%	9,615	(1,294)	8,321
More than 6 months but within 1 year past due	72.26%	2,080	(1,503)	577
Over 1 year past due	90.55%	5,736	(5,194)	542
		42,120	(8,454)	33,666

As at 31 December 2021

	ECL rate	Gross carrying amount RMB'000	ECL RMB'000	Net carrying amount RMB'000
Neither past due nor impaired	18.36%	1,046	(192)	854
Within 3 months past due	18.41%	13,794	(2,539)	11,255
More than 3 months but within 6 months past due	82.10%	922	(757)	165
More than 6 months but within 1 year past due	92.17%	2,273	(2,095)	178
Over 1 year past due	100.00%	630,490	(630,490)	–
		648,525	(636,073)	12,452

Lifetime expected loss rates are based on actual loss over the past 3 years, as adjusted to reflect the forward looking information, including the economics conditions.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays in full after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2022 RMB'000	2021 RMB'000
Financial assets at amortised costs					
Trade and bills receivables	20	Low risk	Lifetime ECL	**42,120**	20,655
Trade and bills receivables	20	Loss	Lifetime ECL (credit-impaired)	**–**	627,870
Trade and bills receivables	20	Write-off	Amount is written off	**627,870**	–
Other receivables	20	Low risk	12m ECL	**23,651**	33,803
Other receivables	20	Loss	Lifetime ECL (credit-impaired)	**139,217**	128,322
Cash and bank balances	21	N/A	12m ECL	**5,931**	9,443

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

During the year ended 31 December 2022, the Group incurred a net loss of approximately RMB66,405,000 (2021: RMB151,334,000) and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB1,096,259,000 and RMB241,658,000 (2021: RMB628,270,000 and RMB211,375,000), respectively. Furthermore, the Group's bank and other borrowings amounting to approximately RMB825,045,000 (2021: RMB616,825,000) as at 31 December 2022 were either overdue, repayable on demand or fall due repayable within one year.

As further explained in note 2(b), the directors of the Company have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account such plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

All non-interest bearing financial liabilities of the Group are carried at amounts not materially different from their contractual undiscounted cash flow as these financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

The following table sets out the remaining contractual maturities at the end of reporting period of the Group's trade and other payables, contingent consideration payable, lease liabilities and bank and other borrowings which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date of the Group would be required to repay.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Liquidity risk (Continued)

As at 31 December 2022

	Scheduled undiscounted cash outflow					
	Weighted average Interest rate per annum	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	N/A	302,766	–	–	302,766	302,766
Lease liabilities	13.75%	1,055	643	–	1,698	1,409
Bank and other borrowings	8.10%	837,117	–	–	837,117	825,045
		1,140,938	643	–	1,141,581	1,129,220

As at 31 December 2021

	Scheduled undiscounted cash outflow					
	Weighted average Interest rate per annum	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	N/A	240,189	–	–	240,189	240,189
Lease liabilities	9.89%	1,677	396	–	2,073	1,995
Bank and other borrowings	7.68%	661,599	224,959	–	886,558	830,115
		903,465	225,355	–	1,128,820	1,072,299

As disclosed in note 24, the Group is subject to contingent consideration payable in relation to a profit guarantee given by the Group to Beijing Kangchen, as at 31 December 2022, the carrying amount of the contingent consideration payable amounted to approximately RMB2,054,000 (2021: RMB7,800,000). The management of the Company considered the maximum exposure would be approximately RMB10,269,000 (2021: RMB20,638,000), if the Adjusted Profit of RMB120,000,000 for the financial year ending 31 December 2023 (2021: RMB100,000,000 and RMB120,000,000 for the financial years ending 31 December 2022 and 2023) fail to meet.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances which is limited due to the short maturity. The directors of the Company consider that the exposure to cash flow interest rate on bank deposits are insignificant.

As at 31 December 2022 and 2021, the Group did not have any floating rate borrowings, no sensitivity analysis on interest rate exposure is presented accordingly.

Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, RMB and HK$. In addition, certain borrowings are also denominated in US$ and HK$. At present, the Group has no hedging policy with respect to its foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of non-PRC group entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)					
	2022			2021		
	US$	**RMB**	**HK$**	US$	RMB	HK$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Trade and other receivables	**111**	**1,997**	**–**	126	–	–
Cash and bank balances	**84**	**12**	**3**	182	146	3
Trade and other payables	**(30,102)**	**–**	**–**	(24,819)	(65)	–
Bank and other borrowings	**(5,282)**	**(12,000)**	**–**	–	(12,000)	–
	(35,189)	**(9,991)**	**3**	(24,511)	(11,919)	3

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after income tax and accumulated losses that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2022			2021		
	Increase/ (decrease) in foreign exchange rates RMB'000	(Increase)/ decrease in loss after income tax RMB'000	(Increase)/ decrease in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates RMB'000	(Increase)/ decrease in loss after income tax RMB'000	(Increase)/ decrease in accumulated losses RMB'000
US$	5%	(1,469)	(1,469)	5%	(1,024)	(1,024)
	(5%)	1,469	1,469	(5%)	1,024	1,024
RMB	5%	(417)	(417)	5%	(492)	(492)
	(5%)	417	417	(5%)	492	492
HK$	5%	–	–	5%	–	–
	(5%)	–	–	(5%)	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after income tax measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2021.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt-to-assets ratio. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there is adequate working capital to service its debt obligations. The Group's debt-to-assets ratio, being the Group's total interest- bearing borrowings over its total assets, at 31 December 2022 was 82.2% (2021: 87.1%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Financial assets and liabilities measured at fair value

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Financial assets and liabilities measured at fair value (Continued)

As at 31 December 2022

		Fair value measurements categorised into		
	Fair value RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial assets:				
Financial asset at FVTPL	**569**	**–**	**569**	**–**
Financial liabilities:				
Contingent consideration payable	**2,054**	**–**	**–**	**2,054**

As at 31 December 2021

		Fair value measurements as at categorised into		
	Fair value RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
Financial asset at FVTPL	521	–	521	–
Financial liabilities:				
Contingent consideration payable	7,800	–	–	7,800

During the years ended 31 December 2022 and 2021, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Financial assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 fair value measurement of financial liabilities

	2022 RMB'000	2021 RMB'000
At 1 January	7,800	16,671
Addition in relation to contingent consideration payable	–	7,800
Decrease in fair value	(5,746)	(465)
Reclassification to other payables	–	(16,199)
Exchange realignment	–	(7)
At 31 December	2,054	7,800

Valuation techniques and inputs in Level 3 fair value measurement

The following table gives information about how the fair values of contingent consideration payable is determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2022 RMB'000	2021 RMB'000			
Contingent consideration payable (note 24)	2,054	7,800	Level 3	Discounted cash flow method was used to capture the present value of the associate and the expected future economic benefits that will flow out from the Group arising from the contingent consideration, based on an appropriate discount rate.	Pre-tax discount rate: 14.3% (2021: 18.3%) Terminal Growth Rate: 2.0% (2021: 2.0%) Probability-accumulated adjusted profits, with a range from approximately RMB297,329,000 to RMB313,455,000 (2021: RMB279,659,000 to RMB323,789,000)

Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximated their respective fair values at 31 December 2022 and 2021.

33. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 13 June 2017, the Company issued 294,659,500 non-voting redeemable convertible preference shares at HK$1.83 each ("**CPSs**") with total gross proceeds of HK$539,227,000 (equivalent to approximately RMB474,179,000). The costs of issuing these CPSs amounted to approximately HK$5,000,000 (equivalent to approximately RMB4,304,000).

The CPSs' holders shall have no right to attend or vote at general meetings of the Company. Subject to compliance with applicable law and Articles of Association of the Company, so long as the Company has resolved to pay dividend, 30% of the audited profit of each financial year would be distributed to holders of CPSs and ordinary shares of the Company as dividends.

Each of the CPSs is convertible to one ordinary share of the Company at its face value of HK$1.83 per CPS. Conversion of CPSs into ordinary shares of the Company can be made at any time after the issuance of the CPSs. The holders of CPSs shall be required to convert all but not part of the CPSs into ordinary shares of the Company provided that the audited profit is not less than RMB160 million, RMB250 million and RMB350 million for the years ended 31 December 2017, 2018 and 2019, respectively ("**Compulsory Conversion**"). As the Group incurred a loss for the year ended 31 December 2018, the criteria for Compulsory Conversion have become no longer applicable as at 31 December 2018 and 2019. The Company may redeem ("**Call Option**") and the holders of the CPSs shall have the rights to require the Company to redeem ("**Put Option**") with cash for the outstanding CPSs which the conversion rights have not been exercised in whole or in part by giving 30 business days' prior notice to the other party thereof on or after 36th month upon the placing completion date, with a redemption price calculated based on the annualised IRR 5% for the nominal value of the outstanding CPSs less the corresponding dividends for such CPSs by the Company. The earliest date of maturity of CPSs will be on 13 June 2020 when the CPS holders shall have the rights to exercise the Put Option.

The conversion options of the CPSs meet the fixed-to-fixed criteria, that is, will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares, and accordingly, the conversion options of the CPSs are classified as equity component and are not remeasured after initial recognition. At initial recognition, the equity component of the CPSs was separated from the fair value of liability component comprising the Company's obligations under Put Option to redeem CPSs and/or obligations to pay dividends to CPS holders, which are designated and presented as "financial liabilities at FVTPL". The equity component (i.e. conversion option) is presented in equity heading "Convertible preference shares". The Call Option at the Company's discretion is classified as a financial asset at FVTPL.

33. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

The Company determined the fair value of the financial liabilities component (i.e. Put Option) and Call Option at 31 December 2019, when the Compulsory Conversion attached to CPSs was no longer applicable, amounted to approximately HK$482,371,000 (equivalent to approximately RMB432,107,000) and Nil respectively, based on the valuation performed by CBRE Limited on straight debt, using discounting cash flows approach (as for the straight debt component of the Put Option), binomial model and a discount rate of 13.40%, which represented the prevailing market rates of interest for a similar instrument with similar credit rating.

On 13 June 2020, the remaining holders of 246,773,000 CPSs served call notice to request the Company to redeem all the CPSs, which were reclassified to other borrowings and carried at amortised cost with demand clause.

On 31 December 2021, a remaining holder, Annie Investment Co., Ltd. (the "**Holder**"), a company incorporated in the BVI which wholly-owned by the substantial shareholders of the Company, Ms. Shum Ning and Mr. Ieong Chong Mang, requested the Company to cancel the CPSs and change the outstanding principal and accrued interest on the CPSs amounted to approximately HK$229,307,000 and HK$20,240,000 (equivalent to approximately RMB187,412,000 and RMB16,542,000), respectively as a borrowing to the Company, and the Holder agreed to extend the repayment date to 31 December 2023 and the outstanding principal is charged at a fixed interest rate of 5% per annum. As at 31 December 2021, the outstanding principal of approximately RMB187,412,000 and accrued interest of approximately RMB16,542,000 were included in bank and other borrowings and trade and other payables, respectively. In September 2022, the corresponding CPSs held by the Holder were cancelled and the redemption amounts were extended to 31 December 2023 as previously agreed. Details were disclosed in the announcement of the Company dated 23 September 2022.

34. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2021

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

On 2 June 2021, the transaction was completed and the Group disposed the entire interest of The Mountains Limited at a revised consideration of approximately RMB85,891,000.

	As at 2 June 2021 RMB'000
Property, plant and equipment	72,166
Land use rights	8,466
Cash and cash equivalents	186
Bank borrowings	(40,000)
Net assets disposal of	40,818
Gain on disposal of a subsidiary:	
Total consideration	85,891
Net assets disposed of	(40,818)
Gain on disposal of a subsidiary (note 5)	45,073
Consideration was satisfied by:	
Cash consideration received	78,891
Cash consideration receivable (note 20(c))	7,000
Total consideration	85,891
Net cash inflow arising on disposal:	
Cash consideration received	78,891
Cash and cash equivalents disposed of	(186)
Net cash inflow on disposal of a subsidiary	78,705

35. ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL GROUP HELD FOR SALE

During the year ended 31 December 2021, the management of the Company entered into a term sheet with a potential buyer (the "**Potential Buyer**"), an independent third party to the Group, to dispose certain non-current assets of Suzhou First Pharma in order to generate funds to reduce the Group's debts.

Subsequent to the year ended 31 December 2021, the Group is in advanced stage of discussion with the Potential Buyer in relation to entering into of a disposal agreement to dispose of certain leasehold land and buildings situated in the PRC and related plant and machinery, furniture, fixture and office equipment, with aggregate carrying book value of approximately RMB248,866,000 (note 14) as at 31 December 2021 at an aggregate consideration not less than approximately RMB180,000,000. As the net proceeds of the disposal were expected to below the carrying amount of the related non-current assets of Suzhou First Pharma, impairment loss of approximately RMB14,476,000 was recognised through consolidated profit or loss and approximately RMB54,390,000 was recognised through other comprehensive income and included under revaluation reserve during the year ended 31 December 2021.

As at 31 December 2021, the related certain non-current assets of Suzhou First Pharma with aggregate carrying amount of approximately RMB180,000,000, net of impairment loss of approximately RMB68,866,000, were classified as held for sale.

During the year 31 December 2022, the Group received several offers from other potential buyers, after which the management of the Company considered to optimise the financial benefits of the Group, the transaction with the original Potential Buyer was not executed and the term sheet was terminated automatically after the execution period without any penalty.

Accordingly, the corresponding non-current assets with carrying amount of RMB180,000,000 have been reclassified to property, plant and equipment and interests in leasehold land held for own use (note 14).

36. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2022. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Group	The BVI, limited liability company	9 shares of US$1 each	100% (2021: 100%)	100% (2021: 100%)	– (2021: –)	Investment holding
Kimford Investment Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
Tai Ning Pharmaceutical (Investment) Company Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
Farbo Investment Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
Humford Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
NT Pharma (Far East) Company Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Dormant
NT Pharma (Asia) Company Limited	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Dormant
Green-Life Technology (Hong Kong) Company Limited	Hong Kong, limited liability company	1 share	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Dormant
NTP (China) Investment Co., Limited	Hong Kong, limited liability company	15,000,000 shares	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
NT Pharma (HK) Limited	Hong Kong, limited liability company	2 shares	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Trading of prescription medicines
NT Pharma (Overseas) Holding Co. Ltd	The BVI, limited liability company	1 share of US$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding

36. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
NT Pharma Pacific Company Limited	Hong Kong, limited liability company	1 share of HK$1	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
NT Pharmaceutical Trading (Shanghai) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	The PRC, limited liability company	US$2,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
NT (BJ) Pharma Technology (note (i))	The PRC, limited liability company	RMB10,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Research and development of prescription medicines
Guangdong NT Pharmaceuticals Co., Ltd. (廣東泰凌醫藥有限公司) ("**Guangdong NT Pharma**") (note (i))	The PRC, limited liability company	RMB20,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Sales of prescription medicines
NT Tongzhou Pharma Consulting (Shanghai) Co., Ltd. (泰凌同舟醫藥諮詢(上海)有限公司) (note (i))	The PRC, limited liability company	US$3,370,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Provision of logistics and consulting services
Hainan Tai Ling Medical Information Consulting Co., Ltd. (海南泰靈醫藥信息諮詢有限公司) (note (i))	The PRC, limited liability company	RMB100,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Dormant
NT Tongzhou Pharma (SH) (note (i))	The PRC, limited liability company	RMB50,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Sales of prescription medicines
Suzhou First Pharma (notes (i))	The PRC, limited liability company	RMB181,625,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Manufacturing of prescription medicines
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司) ("**NT Pharma (Jiangsu)**") (note (i))	The PRC, limited liability company	RMB276,600,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Sales of prescription medicines

36. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business and form of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
NT Medical Information Consultant (Shanghai) Co., Ltd. (泰凌醫藥信息諮詢(上海)有限公司) (note (i))	The PRC, limited liability company	US$1,500,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Provision of consulting services
NT (Jiangsu) Biological Technology Co., Ltd. (泰凌(江蘇)生物科技有限公司) (note (i))	The PRC, limited liability company	US$30,070,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding
NT (China) Investment Co., Ltd. (泰凌(中國)投資有限公司) (note (i))	The PRC, limited liability company	US$30,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Provision of consulting services
NT Pharma (Changsha) Co., Ltd (泰凌醫藥(長沙)有限公司) ("**NT Pharma (Changsha)**") (note (i))	The PRC, limited liability company	RMB10,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Dormant
NT Biopharmaceuticals Jiangsu (notes (i) and (ii))	The PRC, limited liability company	RMB112,359,550	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Manufacturing and sale of prescription medicines
Jiangsu Tailing Investment Co., Ltd. (江蘇泰凌投資有限公司) (note (i))	The PRC, limited liability company	RMB50,000,000	100% (2021: 100%)	– (2021: –)	100% (2021: 100%)	Investment holding

Notes:

(i) The English translation of the company names is for reference only. The official names of these entities are in Chinese.

(ii) On 11 August 2015, the Group entered into an investment agreement ("**Investment Agreement**") with two independent third parties ("**New Investors**"), pursuant to which, the registered capital of NT Biopharmaceuticals Jiangsu was increased from RMB100,000,000 to RMB112,359,550 which was acquired by the New Investors for an aggregate sum of RMB50,000,000 in cash ("**Invested Capital**") in November 2015, and another wholly-owned indirect subsidiary of the Company shall transfer its intellectual property rights and trademark of Xi Di Ke, to NT Biopharmaceuticals Jiangsu at no consideration, and such transfer has not been completed as at 31 December 2022.

36. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(ii) (Continued)

Based on the Investment Agreement, when the board of directors of NT Biopharmaceuticals Jiangsu declares distribution of its profits, the New Investors shall be entitled, out of the declared profit of NT Biopharmaceuticals Jiangsu, to a dividend at the higher of a preferred dividend calculated at 8% of the Invested Capital, or a dividend out of profit declared for distribution in accordance with their respective shareholdings in NT Biopharmaceuticals Jiangsu. In addition, according to the terms of the Investment Agreement, the Group has undertaken to the New Investors that NT Biopharmaceuticals Jiangsu shall submit application for an initial public offer listing in a recognised stock exchange in the PRC (the "**IPO**") before 31 December 2019 and obtain the approval from China Securities Regulatory Commission for the IPO before 31 December 2021 and failing which, the Group shall repurchase from the New Investors for their equity interests in NT Biopharmaceuticals Jiangsu at the consideration to be determined at the higher of the fair value of their equity interests in NT Biopharmaceuticals Jiangsu at the repurchase date and the Invested Capital plus a return calculated at the annual rate of 30% over the prevailing interest rates, to be announced by the People's Bank of China from time to time, during the period up to the repurchase date.

As at 31 December 2021, the approval for a further extension of time for the application for the IPO has not been sought from the New Investors. Accordingly, with effect from 31 December 2021, the capital contributed by the New Investors of RMB50,000,000 has been reclassified to other borrowings, since the New Investors have the unconditional rights to require NT Biopharmaceuticals Jiangsu to repurchase their shareholdings (the "**Right**") in accordance with the redemption clause of the Investment Agreement. Accordingly, the non-controlling interests were derecognised at 31 December 2021 and the Group's effective interest in NT Biopharmaceuticals Jiangsu was deemed to be 100% as at 31 December 2021. As at 31 December 2021, the accrued interest amounting to approximately RMB23,857,0000) which represented the required return to the New Investors in accordance with the Investment Agreement as interest payable was included in trade and other payables.

During the years ended 31 December 2022 and 2021, the Group had not received notices from the New Investors exercising the Right.

None of the subsidiaries had issued any debt securities as at 31 December 2022 and 2021.

37. LITIGATIONS

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

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

The amounts had not been settled as at 31 December 2022 and 2021. Accordingly, a further provision of approximately RMB3,560,000 (2021: RMB8,984,000) was recognised in consolidated profit or loss (note 6). As at 31 December 2022, the relevant provision for legal claim of approximately RMB37,011,000 (2021: RMB33,451,000) included in trade and other payables (note 22).

37. LITIGATIONS (Continued)

(b) On 24 August 2021, a writ of summons was issued by an associate of the Group, Yingtai Pharm, as plaintiff, against certain wholly-owned subsidiaries of the Group, including, NT (BJ) Pharma Technology, NT Biopharmaceuticals Jiangsu and Suzhou First Pharma, collectively as defendants. The plaintiff claimed for the outstanding promotional service fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院 and ordered that the defendants were required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. Accordingly, a provision for legal claims from the associate amounting to approximately RMB22,157,000 was recognised in consolidated profit or loss for the year ended 31 December 2021 (note 6).

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

As at 31 December 2022, the Group has not made any repayment to the plaintiff and the further provision of approximately RMB2,490,000 was recognised in consolidated profit or loss regarding the interest on the unpaid sum expense for the year ended 31 December 2022 (note 6).

As at 31 December 2022, the relevant provision of legal claims amounted to approximately RMB70,721,000 (2021: RMB68,231,000) and included in trade and other payables (note 22).

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against certain wholly-owned subsidiaries of the Group, including Suzhou First Pharma, Guangdong NT Pharma, NT (China) Investment Co., Ltd (泰凌（中國）投資有限公司), NT Biopharmaceuticals Jiangsu and NT Pharma (Changsha), collectively as defendants. The plaintiff claimed for the repayment of approximately RMB34,911,000 and relevant interest and expenses. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and the defendants, reached a mediation that the defendants agreed to repay the principal amount, related interest and default penalty fee of approximately RMB31,400,000, RMB4,211,000 and RMB2,166,000 respectively, in accordance with the revised and extended schedule to December 2022.

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

37. LITIGATIONS (Continued)

(d) On 6 December 2021, a wholly-owned subsidiary of the Group, NT Biopharmaceuticals Jiangsu was served by a writ of summons in 蘇州工業園區人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the statement of claim, the bank is pursuing claims against NT Biopharmaceuticals Jiangsu for an immediate repayment of all outstanding loan principal amounts of approximately RMB101,000,000 and the relevant interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

During the year ended 31 December 2022, 蘇州工業園區人民法院 has forced a deduction of the cash deposits of totaling approximately RMB21,375,000 from certain subsidiaries' bank accounts to repaid the loan principal. During the year ended 31 December 2021, the Group has repaid loan principal of approximately RMB10,552,000.

NT Biopharmaceuticals Jiangsu will continue to negotiate with the bank to restructure the due bank borrowing, together with the default interest, with extension of maturity and revised repayment schedule.

(e) On 11 February 2022, a wholly-owned subsidiary of the Group, NT Pharma (Jiangsu) was served by a writ of summons in 江蘇省蘇州市中級人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the statement of claim, the bank is pursuing claims against NT Pharma (Jiangsu) for an immediate repayment of all outstanding loan principal amounts of approximately RMB119,000,000 and the relevant interest.

On 18 May 2022, 江蘇省蘇州市中級人民法院 held a mediation and the plaintiff and the defendant, both parties agreed that the defendant would repay the outstanding loan principal and interest payable on 20 May 2022.

The loan principal and accrued interest have not been repaid up to 31 December 2022. The outstanding principal approximately RMB119,000,000 and accrued interest of approximately RMB7,992,000 included in bank and other borrowings and trade and other payables, respectively.

NT Pharma (Jiangsu) will continue to negotiate with the bank to restructure the due bank borrowing, together with the default interest, with extension of maturity and revised repayment schedule.

37. LITIGATIONS (Continued)

(f) On 29 August 2022, a PRC bank filed a lawsuit against Suzhou First in 蘇州工業園區人民法院, for its non-compliance with the terms and conditions of a loan agreement. According to the statement of claim, the bank is pursuing claims against Suzhou First Pharma for the repayment of all outstanding loan principal amounts of approximately RMB160,000,000 and the relevant interest. Up to 31 December 2022, the trial result is yet to be finalised.

The loan principal and accrued interest have not been repaid up to 31 December 2022. The outstanding principal approximately RMB160,000,000 and accrued interest of approximately RMB7,432,000 included in bank and other borrowings and trade and other payables, respectively.

Suzhou First Pharma will continue to negotiate with the bank to restructure the due bank borrowing, together with the default interest, with extension of maturity and revised repayment schedule.

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

38. COMMITMENTS

Capital commitments outstanding but not provided for in the consolidated financial statements of the Group were as follows:

	2022 **RMB'000**	2021 RMB'000
Contracted for but not provided for – investment in Yingtai Pharm (note 17(a))	**20,000**	20,000

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) List of related parties

During the year ended 31 December 2022, expect those disclose elsewhere in the consolidated financial statements, transactions with the following parties were considered to be related party transactions in the normal ordinary course of business of the Group:

Name of related party	Relationship with the Group
Mr. Ng Tit and Ms. Chin Yu	Directors of the Company, beneficial holders of the Company's 21.39% equity interest
Mr. Ng Andy Ching Kit	Son of Mr. Ng Tit and Ms. Chin Yu
NT Holdings	Holding company of the Group prior to the Reorganisation
WSNG Group Limited	Mr. Ng Andy Ching Kit, son of Mr. Ng Tit and Ms. Chiu Yu, is director and shareholder
Rich Great International Industries Limited	Mr. Ng Tit and Ms. Chin Yu, are the directors and shareholders
Jing Mei Holdings Limited	Ms. Chin Yu and Ms. Ng Anna Ching Mei, daughter of Mr. Ng Tit and Ms. Chin Yu, are the directors and former shareholders
Annie Investment Co., Ltd.	Wholly-owned by the substantial shareholders of the Company, Ms. Shum Ning and Mr. Ieong Chong Mang
Beijing Kangchen	An associate of the Group
Yingtai Pharm	An associate of the Group

(b) Key management personnel remuneration

The details of the remuneration paid to the key management personnel during the year are set out in note 10.

39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

Name of related party	Nature of transactions	2022 RMB'000	2021 RMB'000
Beijing Kangchen	Agency income in relation to medical registration	**284**	–
Annie Investment Co., Ltd.	Interest expenses on other borrowings paid/payable	**9,892**	9,506

The directors of the Company are of the opinion that the above related party transaction was conducted on normal commercial terms and was priced with reference to prevailing market prices, and in the ordinary course of business of the Group.

(d) Balances with related parties

	2022 RMB'000	2021 RMB'000
Other borrowings		
– WSNG Group Limited	**1,787**	–
– Rich Great International Industries Limited	**–**	1,355
– Jing Mei Holdings Limited	**4,485**	1,757
– Mr. Ng Tit	**357**	–
– Mr. Ng Andy Ching Kit	**–**	817

40. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB1,666,000 and RMB1,666,000 (2021: RMB1,138,000 and RMB1,138,000) respectively during the year ended 31 December 2022 in respect of lease arrangements for the properties (notes 14 and 25).

40. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'000	Other borrowings RMB'000	Accrued interest including in other payables RMB'000	Conversion option under convertible bonds RMB'000	Imputed interest payable under a redemption clause of an investment agreement RMB'000	Lease liabilities RMB'000
At 1 January 2021	464,861	377,022	26,818	472	16,199	9,572
Changes from financing cash flows:						
Repayment of bank borrowings	(95,413)	–	–	–	–	–
Proceeds from new other borrowings	–	73,271	–	–	–	–
Repayments of other borrowings	–	(54,716)	–	–	–	–
Proceeds from issue of corporate bonds	–	9,948	–	–	–	–
Payment for cost of issuing corporate bonds	–	(472)	–	–	–	–
Repayment of corporate bonds	–	(12,119)	–	–	–	–
Repayments of lease liabilities principal	–	–	–	–	–	(2,438)
Repayments of lease liabilities interest	–	–	–	–	–	(558)
Interests paid	–	(1,210)	(41,091)	–	–	–
	(95,413)	14,702	(41,091)	–	–	(2,996)
Other changes:						
Interest expenses	–	4,463	76,120	–	7,658	558
Changes in fair value	–	–	–	(465)	–	–
Addition of lease liabilities	–	–	–	–	–	1,138
Interest payables transferred as principal of other borrowings	–	21,880	(21,880)	–	–	–
Transferred from equity	–	50,000	–	–	–	–
Reclassification of imputed interest under financial liabilities at FVTPL to other payable	–	–	23,857	–	(23,857)	–
Lease termination	–	–	–	–	–	(6,215)
Exchange realignment	–	(7,400)	–	(7)	–	(62)
	–	68,943	78,097	(472)	(16,199)	(4,581)
At 31 December 2021	369,448	460,667	63,824	–	–	1,995

40. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings RMB'000	Other borrowings RMB'000	Accrued interest including in other payables RMB'000	Conversion option under convertible bonds RMB'000	Imputed interest payable under a redemption clause of an investment agreement RMB'000	Lease liabilities RMB'000
At 1 January 2022	369,448	460,667	63,824	–	–	1,995
Changes from financing cash flows:						
Repayments of bank borrowings	(21,375)	–	–	–	–	–
Proceeds from new other borrowings	–	29,541	–	–	–	–
Repayments of other borrowings	–	(50,908)	–	–	–	–
Proceeds from issue of corporate bonds	–	23,840	–	–	–	–
Payment for cost of issuing corporate bonds	–	(2,130)	–	–	–	–
Repayment of corporate bonds	–	(8,196)	–	–	–	–
Repayments of lease liabilities principal	–	–	–	–	–	(1,899)
Repayments of lease liabilities interest	–	–	–	–	–	(176)
Interests paid	(1,740)	(10,298)	(5,356)	–	–	–
	(23,115)	(18,151)	(5,356)	–	–	(2,075)
Other changes:						
Interest expenses	22,217	49,341	–	–	–	176
Addition of lease liabilities	–	–	–	–	–	1,666
Interest payables transferred as principal of other borrowings	–	3,505	(3,505)	–	–	–
Credited to interest payables	(20,477)	(43,253)	63,730	–	–	–
Lease termination	–	–	–	–	–	(399)
Exchange realignment	–	24,863	2,430	–	–	46
	1,740	34,456	62,655	–	–	1,489
At 31 December 2022	348,073	476,972	121,123	–	–	1,409

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position at the Company

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	36	–	–
Current assets			
Other receivables		300	144
Cash and cash equivalents		94	1,593
		394	1,737
Current liabilities			
Other payables and accruals		41,780	26,671
Amounts due to subsidiaries		51,836	20,496
Other borrowings		305,804	62,136
		399,420	109,303
Net current liabilities		(399,026)	(107,566)
Total assets less current liabilities		(399,026)	(107,566)
Non-current liabilities			
Other borrowings		–	202,189
NET LIABILITIES		(399,026)	(309,755)
EQUITY			
Share capital	28	1	1
Reserves	41(b)	(399,027)	(309,756)
Equity deficiency		(399,026)	(309,755)

The statement of financial position of the Company were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Mr. Ng Tit
Chairman and Chief Executive Officer

Ms. Chin Yu
Director

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium (Note 29(i)) RMB'000	Exchange reserve (Note 29(ii)) RMB'000	Other reserve (Note 29(v)) RMB'000	Capital reserve (Note 29(vi)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	1,759,103	45,008	279,467	(24,895)	(1,997,727)	60,956
Loss for the year	–	–	–	–	(374,362)	(374,362)
Other comprehensive income for the year – Exchange differences arising on translation	–	3,566	–	–	–	3,566
Other comprehensive income/(loss) for the year	–	3,566	–	–	(374,362)	(370,796)
Equity-settled share-based transactions (note 30(d))	–	–	–	84	–	84
At 31 December 2021 and 1 January 2022	**1,759,103**	**48,574**	**279,467**	**(24,811)**	**(2,372,089)**	**(309,756)**
Loss for the year	**–**	**–**	**–**	**–**	**(84,920)**	**(84,920)**
Other comprehensive income for the year – Exchange differences arising on translation	**–**	**(4,954)**	**–**	**–**	**–**	**(4,954)**
Other comprehensive loss for the year	**–**	**(4,954)**	**–**	**–**	**(84,920)**	**(89,874)**
Equity-settled share-based transactions (note 30(d))	**–**	**–**	**–**	**604**	**–**	**604**
Cancellation of share award scheme (note 30(d))	**–**	**–**	**–**	**35,259**	**(35,259)**	**–**
At 31 December 2022	**1,759,103**	**43,620**	**279,467**	**11,052**	**(2,492,268)**	**(399,026)**

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

Results

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Turnover	**207,092**	226,699	221,731	153,468	571,521
Gross profit	**125,286**	145,459	134,904	90,257	422,002
Loss before income tax	**(54,296)**	(148,752)	(200,289)	(355,141)	(561,999)
Loss for the year from discontinued operations	**–**	–	(168,644)	(237,796)	(361,903)
Loss for the year	**(66,405)**	(151,334)	(359,913)	(593,202)	(963,762)

Assets and Liabilities

	At 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total non-current assets	**932,284**	687,657	718,110	1,488,930	1,637,071
Total current assets	**73,434**	267,703	480,860	309,344	590,091
Total current liabilities	**(1,169,693)**	(895,973)	(1,101,770)	(1,625,517)	(1,340,985)
Net current liabilities	**(1,096,259)**	(628,270)	(579,477)	(1,316,173)	(750,894)
Total assets less current liabilities	**(163,975)**	59,387	138,633	172,757	886,177
Total non-current liabilities	**(77,683)**	(270,762)	(116,211)	(70,834)	(394,608)
Net (liabilities)/assets	**(241,658)**	(211,375)	22,422	101,923	491,569
(Equity deficiency)/total equity attributable to the owners of the Company	**(241,658)**	(211,375)	16,279	105,258	489,292