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SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

References are made to (i) the announcement of China NT Pharma Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022 in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (“**FY2021**”) (the “**Unaudited Results**”); (ii) the announcements of the Company dated 4 April 2022, 6 May 2022 and 12 May 2022 in relation to, among others, delay in publication of audited annual results of the Group for FY2021; (iii) the announcement of the Company dated 20 May 2022 (the “**Audited Results Announcement**”) in relation to the audited annual results of the Group for FY2021 (the “**Audited Results**”); and (iv) the annual report of the Company for FY2021 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

FURTHER INFORMATION ON DIFFERENCES BETWEEN UNAUDITED RESULTS AND AUDITED RESULTS

As disclosed in the Audited Results Announcement, there are various adjustments made in the Audited Results compared with the Unaudited Results, among others:

- (i) decrease in other revenue and other income of approximately RMB29 million;
- (ii) increase of other net loss of approximately RMB54 million;
- (iii) increase of impairment loss of property, plant and equipment of approximately RMB14.5 million;
- (iv) increase of impairment loss of trade receivables of approximately RMB9.3 million;
- (v) increase of finance costs of approximately RMB35.1 million;

- (vi) a reversal of entries wrongly posted amounting to RMB23.6 million in trade and other payables; and
- (vii) a reversal of revaluation gain on assets classified as assets held for sales and reversal of client's revaluation gain adjustment on property, plant and equipment of RMB34.6 million, (the "**Adjustments**" or individually an "**Adjustment**").

The Board would like to provide further information to the shareholders and the potential investors of the Company on the reasons and details leading to the Adjustments in accordance with Rule 13.49(3) of the Listing Rules.

The Company was in the process of gathering relevant supporting documents to address enquiries from the Auditors when the Unaudited Results was published on 31 March 2022. During the period between 31 March 2022 and 20 May 2022, the Company provided the relevant supporting documents and finalised external independent reports and legal opinions to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustments. Specifically, please refer to the below explanations for each of the Adjustments:

Adjustment (i)

The downward Adjustment in other revenue and other income of approximately RMB29 million was primarily the combined effect of (i) failure to recognize the gain on disposal of certain drug permits of approximately RMB50 million for FY2021 due to the Company's failure to enter into a formal legally binding sale and purchase agreement with the intended purchaser given the failure to obtain the official approval from the bank as such permits were pledged to the bank to secure bank facilities; (ii) the gain on bargain purchase from acquisition of an associate of approximately RMB19.4 million for 40% equity interest in Beijing Kangchen (see note 19(b) to the consolidated financial statements in the Annual Report ("**FY2021 Statements**") for details); and (iii) an upward adjustment of net gain on disposal of property, plant and equipment of approximately RMB2.1 million.

The Company would like to clarify that it has entered into a non-legally binding conditional agreement with an independent third party in relation to the aforementioned transfer of certain drugs permit during the year of 2021. The Board was of the view that there was no transaction, and the requirements of Chapter 14 of the Listing Rules were not triggered.

The Company would like to further clarify that in respect of the gain on bargain purchase from acquisition of 40% equity interest in Beijing Kangchen, the finance personnel of the Company (the "**Finance Personnel**"), having considered that the valuation report from the independent valuers were still unavailable as at 31 March 2022, it was uncertain as to whether impairment and fair value adjustments should be made, and if so the amount thereof. Therefore, the Company did not record the gain on bargain purchase.

Subsequent to the publication of the Unaudited Results, the Company received the formal valuation reports from the valuers on the acquisition and disposal transactions from 31 March 2022 to 20 May 2022 and provided the same to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustment (i.e. gain on bargain purchase from acquisition of an associate of approximately RMB19.4 million).

Adjustment (ii)

The upward Adjustment in other net loss of approximately RMB54 million was primarily the combined effect of (i) the provision for legal claims from an associate of approximately RMB22.2 million (see note 40(b) to the FY2021 Statements for details); (ii) the provision of legal claims of approximately RMB9 million (see note 40(a) to the FY2021 Statements for details); (iii) the upward adjustment of costs on litigation settlement of approximately RMB8 million primarily due to reclassification of default penalty payment previously included in administrative expenses of RMB3.3 million and reclassification from other receivables of approximately RMB3.5 million as non-recoverable penalty for default payment; (iv) the fair value loss on contingent consideration payable of approximately RMB7.8 million (see note 39 to the FY2021 Statements for details); and (v) the loss on partial disposal of equity interest in an associate of approximately RMB6 million for 13.7% equity interest in Beijing Kangchen (note 19(b) to the FY2021 Statements for details).

The Company would like to clarify that in respect of the legal claims, at the time of the preparation of the Unaudited Results, the Company was actively communicating with its PRC legal advisors to explore whether the subsidiaries of the Company have grounds to lodge appeals against the relevant judgements. On or around 31 March 2022, the Finance Personnel, having considered that the PRC legal opinion on whether Company has any ground to appeal was still unavailable as at 31 March 2022, it was uncertain as to whether the provision should be made, and if so the amount thereof. Therefore, the Company did not record such provision for legal claims.

Subsequent to the publication of the Unaudited Results, the Company received the formal PRC legal opinion in respect of the legal claims and provided the same to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustment (i.e. the provision for the legal claims of RMB31.2 million).

Adjustments (iii) and (iv)

The upward Adjustment in impairment loss of property, plant and equipment of approximately RMB14.5 million was not recognised in the Unaudited Results (see note 38 to the FY2021 Statements for details).

The upward Adjustment in impairment loss on trade receivables of approximately RMB9.3 million represented the recognition of loss allowance for expected credit losses on the trade receivables for FY2021 (see note 22(b) to the FY2021 Statements for details).

The Company would like to clarify that the Finance Personnel, having considered that the valuation report from the independent valuers were still unavailable as at 31 March 2022, it was uncertain as to whether impairment and fair value adjustments should be made, and if so the amount thereof. Therefore, the Company did not record the impairment.

Subsequent to the publication of the Unaudited Results, the Company received the formal valuation reports and provided the same to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustment (i.e. impairment loss of property, plant and equipment of RMB14.5 million, and loss on trade receivables of RMB9.3 million).

Adjustment (v)

The upward Adjustment in finance costs of approximately RMB35.1 million was primarily the combined effect of (i) an increase in interest on bank and other borrowings of approximately RMB30.5 million, RMB524,000 of which represented the under-provisioned interest charged on other borrowings; and the remaining of which represented the understatement of finance cost arising from the waiver of interest charges from the other borrowings as the result of the failure to provide written waiver of interest agreement by the Company to support the intended waiver of interest charges; and (ii) an increase in imputed interest payable to non-controlling shareholders of a subsidiary of the Company of approximately RMB4.6 million in accordance with the Investment Agreement entered into between the Group and the non-controlling shareholders in 2015 (see note 18(ii) to the FY2021 Statements for details).

The Board would like to provide more information to the shareholders on the underlying loan arrangement in relation to waiver of interest charges mentioned above. The son of Mr. Jeong Chong Mang, the substantial shareholder of the Company (“**Mr. Jeong Junior**”) advanced two separate loans in the principal amount of RMB20 million and RMB25 million to the Company on 4 November 2019 and 4 December 2019, respectively, at an interest rate of 15% per annum and a default interest rate of 0.1% per day, which shall be repaid within 12 months from the date of advance (the “**Loans**”). No guarantee or security has been granted by any member of the Group to secure the Loans.

The Company failed to repay the Loans on the respective due dates, and did not repay any amounts on the Loans, except partial repayment of interest of RMB7 million to Mr. Jeong Junior on 7 June 2021.

On 15 June 2021, the outstanding amount of principal and interest under the Loans amounted to RMB58.08 million (the “**Outstanding Amount**”). On the same date, for the purpose of refinancing all the Outstanding Amount, Mr. Jeong Junior advanced a new loan in the amount of RMB58.08 million to the Company, at an interest rate of 15% per annum and a default interest rate of 0.1% per day, which shall be repaid on 15 June 2022 (the “**New Loan**”). No guarantee or security has been granted by any member of the Group to secure the New Loan. The New Loan including both the principal and the interest remains outstanding as of the date of this announcement.

The Board is of the view that the Loans and the New Loan fall under the exemption from the connected transaction requirements under Rule 14A.90 of the Listing Rules. According to Rule 14A.90 of the Listing Rules, financial assistance received by a listed issuer's group from a connected person is fully exempt if: (i) it is conducted on normal commercial terms or better; and (ii) it is not secured by the assets of the listed issuer's group.

No security has been granted by any member of the Group to secure the Loans and the New Loan. At the time of the advance, the heavy debt burden of the Group deterred banks and other financial institutions from extending to the Company new loans and/or renewing existing credit lines. No other lenders were willing to grant financing of similar or better terms to the Company without any guarantee or security. As such, the Board is of the view that the Loan and the New Loan are on normal commercial terms or better, and shall be exempted from the connected transaction requirements under the Listing Rules, and the Company did not make any announcement in relation thereto.

Adjustment (vi)

The Company would like to clarify that the Auditors requested for estimation supporting documents in respect of trade and other payables amounting to RMB23.6 million in the Unaudited Results.

Subsequent to the publication of the Unaudited Results, the Company provided updated estimation from 31 March 2022 to 20 May 2022 to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustment (i.e. reversal of entries in trade and other payables amounting to RMB23.6 million).

Adjustment (vii)

The Company would like to clarify that that in respect of revaluation gain, the Finance Personnel, having considered that the valuation report from the independent valuers were still unavailable as at 31 March 2022, it was uncertain as to whether impairment and fair value adjustments should be made, and if so the amount thereof.

Subsequent to the publication of the Unaudited Results, the Company received the formal valuation reports and provided the same to the Auditors. On or around 15 May 2022, the Auditors informed the Company that they have identified the Adjustment (i.e. reversal of revaluation gain on assets classified as assets held for sales and reversal of client's revaluation gain adjustment on property, plant and equipment of RMB34.6 million).

The Board would like to reiterate that the Unaudited Results were published based on the best information then available to the Board and the Audit Committee, and the Board has put a good faith effort on such information. The Company prepared the consolidated financial statements in the Unaudited Results in conformity with HKFRSs and the management made reasonable judgement, estimates and assumptions which affect the application of policies and required amount of assets, liabilities, income and expenses.

The Group's financial controller left the Group during the year ended 31 December 2021. Despite the Group devoted continuous efforts in talent sourcing, it failed to find a replenishment in this important position in financial reporting. As a consequence, the Group was facing great difficulty in financial reporting and experienced unexpected delay in finalising its consolidated financial statements for the Auditors' work. In addition, at the absence of the financial controller, the Group had to spend more time identifying the various material events and transactions, and their implication in financial reporting.

Although at the time of publication of the Unaudited Results, the Company was still working with the Auditors to reach a conclusion on the accounting treatment and amount to be recognized for the aforementioned account items, the Board was, and still is, of the view that the publication of Unaudited Results was of the best interest for the Company's shareholders to avoid trading suspension.

The above additional information does not affect other information contained in the Audited Results Announcement. Save as disclosed in this announcement, the remaining contents of the Audited Results Announcement remain unchanged.

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

Hong Kong, 3 January 2023

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