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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of China NT Pharma Group Company Limited (the “**Company**” or “**NT Pharma**”) announced the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024 (the “**Period Under Review**”), together with the comparative figures for the corresponding period in 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	3	31,297	7,366
Cost of sale		(25,591)	–
Gross profit		5,706	7,366
Other income and gain	4	291	1
Share of results of associates		7,893	11,037
Selling expense		(55)	–
General and administrative expenses		(7,045)	(10,109)
Finance costs		(6,005)	(13,091)
Profit/(loss) before income tax from continuing operations	5	785	(4,796)
Income tax expense	6	(124)	–
Profit/(loss) for the period from continuing operations		661	(4,796)
Profit/(loss) for the period from discontinued operations, net of tax	12	–	(816)
Profit/(loss) for the period		661	(5,612)
Profit/(loss) for the period attributable to the owners of the Company			
– From continuing operations		661	(4,796)
– From discontinued operations		–	(816)
		661	(5,612)
Profit/(loss) per share attributable to the owners of the Company, basic and diluted (in RMB cents)			
– From continuing operations	7	0.03 cents	(0.21) cents
– From discontinued operations		–	(0.04) cents
For continuing and discontinued operations		0.03 cents	(0.25) cents

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Profit/(loss) for the period	<u>661</u>	<u>(5,612)</u>
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	<u>(7,511)</u>	<u>(4,525)</u>
Other comprehensive loss for the period, net of income tax	<u>(7,511)</u>	<u>(4,525)</u>
Total comprehensive loss for the period	<u>(6,850)</u>	<u>(10,137)</u>
Total comprehensive loss for the period attributable to the owners of the Company		
– From continuing operations	(6,850)	(8,663)
– From discontinued operations	<u>–</u>	<u>(1,474)</u>
	<u>(6,850)</u>	<u>(10,137)</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (Expressed in Renminbi)

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		556	944
Intangible assets		198	195
Interest in associates		320,853	312,960
Prepayments	8	2,160	2,160
Financial asset at fair value through profit or loss		593	586
		324,360	316,845
Current assets			
Trade and other receivables	8	8,613	10,757
Cash and bank balances		5,791	1,520
		14,404	12,277

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	9	157,631	152,910
Lease liabilities		145	634
Bank and other borrowings	10	352,878	340,708
Financial guarantee contracts	11	170,713	170,713
Taxation payable		248	122
		681,615	665,087
		(667,211)	(652,810)
Net current liabilities		(667,211)	(652,810)
Total assets less current liabilities		(342,851)	(335,965)
Non-current liabilities			
Lease liabilities		309	382
Bank and other borrowings	10	3,255	3,218
		3,564	3,600
NET LIABILITIES		(346,415)	(339,565)
EQUITY			
Share capital		1	1
Reserves		(346,416)	(339,566)
Total capital deficits		(346,415)	(339,565)

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 (formerly known as Appendix 16) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) unless otherwise stated.

These unaudited condensed consolidated interim financial statements have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2023. HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period of the Group.

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

(b) Going concern basis

The Group incurred a net profit of approximately RMB661,000 from its continuing operations for the six months ended 30 June 2024, and as at 30 June 2024, the Group had net current liabilities and net liabilities of approximately RMB667,211,000 and RMB346,415,000, respectively. The Group's total borrowings amounted to approximately RMB356,133,000, of which approximately RMB352,878,000 will be due for repayment within next twelve months from 30 June 2024; while its unrestricted cash and bank balances amounted to approximately RMB5,791,000 as at 30 June 2024.

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

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

- (i) The Group has been actively negotiating with lenders for renewal and extension of other borrowings. Specially, the Group is currently in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;
- (ii) The Group is developing itself into an integrated platform enterprise that covers Full Management of Osteopathic Diagnosis and Treatment;
- (iii) 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
- (iv) The Group is actively negotiating with external parties to obtain new sources of financing or strategic capital investments to finance the Group's working capital and improve the liquidity position.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management of the Company for a period covered not less than twelve months from date of approval for the consolidated financial statements. The directors of the Company are of the opinion that, taking into account the 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 unaudited condensed consolidated interim financial statements have been prepared on a going concern basis for the period ended 30 June 2024.

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 develop itself into an integrated platform enterprise that covers Full Management of Osteopathic Diagnosis and Treatment and expand its market share;
- (iii) Successful obtaining new sources of financing to repay such borrowings upon the due date; and
- (iv) 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.

3. SEGMENT INFORMATION AND REVENUE

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

Continuing operation

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Revenue from contracts with customers within the scope of HKFRS 15		
Digital service and sales agency fee income	31,297	7,366

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 or services 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.

Geographical information

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Hong Kong	30,793	–
China	504	7,366
	<u>31,297</u>	<u>7,366</u>

Information about major customer

Revenue from customer, which individually contributed over 10% of the total revenue of the Group for the six months ended 30 June 2024 and 2023 is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Customer A	–	7,366
Customer B	30,793	–
	<u>30,793</u>	<u>–</u>

4. OTHER REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Bank interest income	2	1
Other income	289	–
	<u>291</u>	<u>1</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Depreciation of property, plant and equipment	7	3
Depreciation of right-of-use assets	504	439
Amortisation of intangible assets	–	180
	<u>511</u>	<u>622</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Current tax		
– Hong Kong Profit Tax		
Provision for the period	124	–
	<u>124</u>	<u>–</u>
Income tax expense	<u>124</u>	<u>–</u>

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 six months ended 30 June 2024 (2023: 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% (2023: 8.25%), and profits above HK\$2,000,000 will be taxed at 16.5% (2023: 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% (2023: 16.5%) for the six months ended 30 June 2024.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2023: 8.25%) of the first HK\$2,000,000 (equivalent to approximately US\$258,000) of the estimated assessable profits and at 16.5% (2023: 16.5%) on the estimated profits above HK\$2,000,000 (equivalent to approximately US\$258,000), taking into account the tax concession granted by the Government of Hong Kong Special Administrative Region during the six months ended 30 June 2024.

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 for the six months ended 30 June 2023. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2023, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2023.

The PRC Corporate Income Tax has been provided at the rate of 25% (2023: 25%) on the taxable profits of the Group's subsidiaries in the PRC during the six months ended 30 June 2024.

7. LOSS PER SHARE

From continuing and discontinued operations

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 30 June 2023 <i>RMB'000</i> (Unaudited) (Re-presented)
Profit/(loss)		
Profit/(loss) for the period from continuing operations attributable to the owners of the Company	661	(4,796)
Loss for the period from discontinued operations attributable to the owners of the Company	<u>–</u>	<u>(816)</u>
Profit/(loss) for the period for the purposes of basic and diluted loss per share from continuing and discontinued operations	<u>661</u>	<u>(5,612)</u>
Weighted average number of ordinary shares		
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,640,895</u>	<u>2,244,493</u>

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options which had an anti-dilutive effect. Accordingly, diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2024 and 2023.

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade and bills receivables, gross	5,488	10,052
Less: Allowance for ECL on trade and bills receivables	<u>—</u>	<u>—</u>
Trade and bills receivables, net	5,488	10,052
Deposits, prepayments and other receivables	<u>5,285</u>	<u>2,865</u>
	10,773	12,917
Less: non-current portion prepayments	<u>(2,160)</u>	<u>(2,160)</u>
	<u>8,613</u>	<u>10,757</u>

Trade debtors are normally due within 60 to 180 days from the date of billing. Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis, based on the billing date of invoice, as at the date of the statement of financial position:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	5,488	—
More than 3 months but within 6 months	—	10,052
More than 6 months but within 1 year	—	—
Over 1 year	<u>—</u>	<u>—</u>
	<u>5,488</u>	<u>10,052</u>

9. TRADE AND OTHER PAYABLES

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade Payables	551	974
Amount due to a former subsidiary	29,600	29,265
Accrued staff costs	2,024	1,555
Accrued directors' fee	3,104	2,862
Other payables and accruals	17,936	16,533
Interest payable	104,416	101,721
	<u>157,631</u>	<u>152,910</u>

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	–	–
More than 3 months but within 6 months	–	–
More than 6 months but within 1 year	–	974
More than 1 year	551	–
	<u>551</u>	<u>974</u>

10. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Current		
Secured other borrowings	30,692	30,345
Unsecured other borrowings		
– Other borrowings	307,026	293,259
– Corporate bonds	15,160	17,104
	352,878	340,708
Non-current		
Unsecured other borrowings	3,255	3,218
	356,133	343,926

11. FINANCIAL GUARANTEE CONTRACTS

According to the Debt Restructuring as disclosed in note 12, the Company has provided financial guarantees to Suzhou First Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司) (“**Suzhou First Pharma**”) and its subsidiaries for bank borrowings and one of the other borrowings with aggregated carrying amounts of approximately RMB348,073,000 and RMB58,030,000, respectively as at the date of completion date of transfer.

Both lenders declared the unsettled balances to the Court and the Court ruling the approved amounts to be approximately RMB383,156,000 and RMB60,789,000, respectively on 6 July 2023. According to the Debt Restructuring proposal approved by the Court, all creditors are subject to the repayment allocations following several auctions to sell the assets of Suzhou First Pharma and its subsidiaries, which will be carried out by the Administrator.

The directors of the Company consider the Company as a guarantor will be liable on guaranteed borrowings if the repayment allocations could not fully recover the approved amounts. The Company might subject to repay the remaining unpaid balances.

As at 30 June 2024 and 31 December 2023, the financial guarantee contract represented the fair value of the financial guarantee, which was determined by the management of the Company based on the fair value of Suzhou First Pharma’s assets to be sold in the coming auctions and the repayment allocations ratio with reference to the first repayment allocation, which was completed upon the transfer to shareholding of Suzhou First Pharma.

As a result, financial guarantee contracts of approximately RMB133,008,000 and RMB37,705,000 recognised as at 30 June 2024 and 31 December 2023.

Up to the date of this announcement, the other borrowings with aggregated financial guarantee amount of approximately RMB37,705,000 was negotiating with the Company. Save as disclosed, no other lenders have taken any actions to claim the Company in respect of these financial guarantees.

Below table shown the balance of the financial guarantee contracts:

As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000 (Audited)
170,713	170,713

12. DEBT RESTRUCTURING

Transfer of entire interest in a wholly-owned subsidiary, Suzhou First Pharma

On 29 August 2022, a PRC commercial bank filed a lawsuit against Suzhou First Pharma through the Court, for its non-compliance with the terms and conditions of a loan agreement. According to the statement of claim, the bank was pursuing claims against Suzhou First Pharma for the repayment of all outstanding loan principal amounts of approximately RMB160,000,000 and the relevant interest.

On 27 April 2023, the Court accepted the application of the debt restructuring (the “**Debt Restructuring**”) of Suzhou First Pharma and appointed an administrator (the “**Administrator**”) to execute the Debt Restructuring.

In accordance with the proposal of the Debt Restructuring, the entire shareholding of Suzhou First Pharma and relevant assets including properties, plant and equipment, land use right, intangible assets, customer list and resources and production certified are transferred to a new investor (the “**Investor**”), which is an independent third party to the Group solicited by the Administrator at a consideration of RMB1.

In addition, the Investor provided a compensation amounted to RMB355,000,000 which paid to the Administrator for the purpose of settling partial creditors’ balances and other restructuring expense (e.g. audit fee, valuation fee, administration fee, etc.) (the “**First Repayment Allocation**”). After the First Repayment Allocation, Suzhou First Pharma’s receivable, inventories and shareholding and the assets of its subsidiaries are subjected to auction and the consideration and its remaining cash and bank balances will be subject to the second repayment allocation (the “**Second Repayment Allocation**”) to pay to the creditors.

The transfer of shares to the Investor was completed on 1 August 2023. The management considered that the Debt Restructuring proposal had not been mutually agreed and effective until the payment has been made by the Investor, the Group therefore consolidated the financial information of Suzhou First Pharma until 1 August 2023.

Suzhou First Pharma is engaged in manufacturing and sale of several branded products, comprising of: Shusi, Zhuo’ao; and others, which contributed significant portion of revenue to the Group during the six months ended 30 June 2023, hence it was discontinued operations of the Group upon completion of the disposal.

The results of Suzhou First Pharma for the period from 1 January 2023 to 30 June 2023 have been re-presented as part of the consolidated profit or loss for the period ended 30 June 2023 from discontinued operations of the Group in the consolidated statement of profit or loss and other comprehensive income.

Statement of profit or loss of Suzhou First Pharma

	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Revenue	75,243
Cost of sales	<u>(30,306)</u>
Gross profit	44,937
Other income and gain	757
Other losses	(391)
Selling and distribution expenses	(11,039)
General and administrative expenses	(14,283)
Finance costs	<u>(20,797)</u>
Loss before income tax	(816)
Income tax expense	<u>–</u>
Loss for the period from discontinued operations, net of tax	<u><u>(816)</u></u>

Loss for the period from the discontinued operations is arrived at after charging:

	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Employee benefit expenses (including directors' remuneration)	
– Salaries, wages and other benefits	3,310
– Contributions to defined contribution retirement plans	<u>786</u>
	<u><u>4,096</u></u>
Depreciation of property, plant and equipment	3,254
Depreciation of right-of-use assets	84
Amortisation of intangible assets	<u>663</u>

Cash flows from discontinued operations for the period are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Net cash generated from operating activities	18,762
Net cash used in investing activities	(3,261)
Net cash generated from financing activities	2,718

13. DIVIDEND

No dividend was declared or paid by the Company for the six months ended 30 June 2024 (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

NT Pharma has been operating in the field of osteopathy treatment for more than 10 years, serving more than 10,000 terminal medical institutions for various osteopathies, and has rich terminal pharmaceutical promotion, excellent team management experience and channel network resources. The deepening of the aging of my country's population will promote the development of China's orthopedics market to a certain extent, and the prospects for the future orthopedics market are very broad. The Group will seize the opportunity in the new era of the country's promotion of the development of orthopedics. From 2023, it will innovatively create a bone health **4M (Medicine, Multinational E-Health, Medical Device, Medical Digital Platform)** model by focusing on the company's core capabilities and resources. Establish Fuaimeng's "Specialist Orthopedic Health Platform" and vigorously develop business modules covering the supply and promotion of bone disease drugs and health products, bone disease rehabilitation management and digital medical full-process closed-loop treatment and management platform.

In 2023, the Group finalized a business reorganization, shifting its focus from asset-heavy industries to lighter asset sectors. Concurrently, it proactively enhanced cost management and bolstered its financial health. Building on the transformation efforts of the previous year, the Group is dedicated to revitalizing its operations, curbing losses, managing expenses, and enhancing financial stability to the fullest extent. With the conclusion of the Group's debt restructuring, Suzhou First Pharma's business has been divested from the Group. Since 2023, we have revamped our operations with a strategic emphasis on the 4M model. During the Period Under Review, the overall revenue of the Group amounted to approximately RMB 31.3 million, representing an increase of approximately RMB23.9 million as compared to the corresponding period in 2023.

The gross profit of the Group amounted to approximately RMB5.7 million, representing a decrease of approximately RMB1.7 million as compared to the corresponding period in 2023. The Group recorded a net profit of approximately RMB0.7 million during the Period Under Review, representing a increase of RMB6.3 million as compared to the corresponding period in 2023.

OUTLOOK

The Group have develop itself into an integrated platform enterprise that covers Full Management of Osteopathic Diagnosis and Treatment. The Group has acquired certain of healthcare products or license aiming provide a variety of specialized drug combinations in the field of bone health. The platform will also provide integrated medical services, and use artificial intelligence to build a multi-party supply and demand bridge for bone health and integrate medical equipments and rehabilitation treatment, provide different levels of full-service medical services, and provide personalized customized medical care.

China is experiencing an unprecedented speed and scale of population aging. In 2019, the aging population in China reached 12.6%. By 2022, China will enter a deeply aging society with a proportion exceeding 14%. Around 2033, it will further transition into a super-aged society with a proportion exceeding 20%. Subsequently, the aging population will continue to rise rapidly, reaching approximately 35% by 2060. We believe that there is enormous potential in the Chinese market for osteoporosis, considering the significant number of patients resulting from this demographic trend.

The Group has been deeply cultivating the bone pharmaceutical business in the China pharmaceutical market for many years, accumulating a large number of bone health users, and establishing long-term cooperative relationships with medical institutions at all levels. Upon the business restructuring, the Group has currently setup 4 platforms, medicine distribution service platforms, cross-border health platforms, medical device promotion platforms, and medical digital service platforms. All of them will be launch in market between 2024 and 2025.

Medicine Distribution Service Platform: The Company has acquired one proprietary orthopedic pain treatment drug, which is currently under registration and expected to be launched and sold in 2024. The Company is acting as licensee of two osteoporosis treatment drugs, with one of them already having a signed agency service contract and starting promotion. Negotiations are underway for two products, and it is expected to sign a cooperation agreement this year. We are launching a new bone disease health brand this year to help the Company and its partners increase market penetration, enhance brand value, and achieve business objectives.

Cross-border Health Platform: The Group has established an orthopedic health brand and research and development products in North America, the Asia-Pacific region, and Mainland China. We already own three proprietary products and act as licensee of over 10 international products, covering both domestic and international markets through cross-border platforms. Currently, the products are being sold on major e-commerce platforms such as JD.com, Tmall, Pinduoduo, and others.

Medical Device Promotion Platform: By utilising our existing channels and team, we have partnered with a domestic big data artificial intelligence diagnostic company to collaborate on promoting and selling osteoporosis diagnostic equipment and testing services in medical institutions of Mainland China and the Asia-Pacific region. Additionally, we have also collaborated with a domestic in-vitro diagnostics company to promote and sell bone metabolism testing instruments, reagents, and testing services in Mainland China’s medical institutions. All of these businesses had signed the contract and is currently in the preparation.

Medical Digital Service Platform: We are establishing a digital healthcare service platform for bone health and a platform for the supply and demand of bone health products. This platform aims to provide digital promotion services to bone health product manufacturers and distributors, clinical healthcare institutions, and bone health consumers, which includes providing the following services for industry companies: 1) medical news update, 2) creating medical videos and articles, 3) medical conference content and reports and 4) market research and promotional activities. Our goal is to become the largest digital healthcare information service provider in the field of bone health in the country. In the first half of 2024, we have already provided services to one enterprise and are gradually expanding to reach more users.

Restructuring and Transformation

NT Pharma Group’s investment business includes its investments in Beijing Kangchen Biological Technology Co., Limited (北京康辰生物科技有限公司) (“**Beijing Kangchen**”), a subsidiary of the A-share listed company Beijing Konruns Pharmaceutical, which started in 2021. The Group has invested RMB227.7 million with a 25.3% equity interest, and receives annual dividends exceeding RMB20 million.

NT Pharma Group has been deeply entrenched in the Chinese healthcare market for many years with its original osteological drug business, thereby amassing a large number of osteopathic patients and maintaining long-term and favorable partnerships with various hospitals and pharmacies. Following a two-year restructuring and preparation, the Group has formulated a development plan for a bone health 4M (Medicine, Multinational E-Health, Medical Device, Medical Digital Platform) model by focusing on the company’s core capabilities and resources. Establish Fuaimeng’s “Specialist Orthopedic Health Platform” and vigorously develop business modules covering the supply and promotion of bone disease drugs and health products, bone disease rehabilitation management and digital medical full-process closed-loop treatment and management platform.

FINANCIAL REVIEW

Revenue

Medical Digital Service and Medicine Agency

The Company providing the digital healthcare service and medicine agency service to bone health product manufacturer and distributors, clinical healthcare institutions, and bone health consumers.

Revenue for the Period amounted to approximately RMB31.3 million which increased by RMB23.9 million or 76.4% as compared with approximately RMB7.4 million for the Corresponding Period. The increasing due to new business started in year 2024.

Cost of sales and gross profit

Cost of sales comprised of the cost of service provided. The cost of sales for the Period amounted to approximately RMB25.6 million while no such cost of sales in for the Corresponding Period. The increase in revenue was due to the new business start in year 2024.

Gross profit for the Period amounted to approximately RMB5.7 million, representing an decrease of approximately RMB1.7 million or approximately 23.0% as compared with approximately RMB7.4 million for the Corresponding Period.

Finance Costs

The Group's finance costs consist of interest on other borrowings. Finance costs decreased by approximately RMB7.1 million or 54.2% to approximately RMB6.0 million for the six months ended 30 June 2024, as compared to RMB13.1 million for the corresponding period in 2023. The decrease in finance costs was mainly due to a decrease in the amount of borrowing as compared with the corresponding period in 2023.

Taxation

Income tax expense was RMB0.1 million for the six months ended 30 June 2024 (2023: Nil).

Profit Attributable to Equity Hoder of the Company

Profit attributable to equity holders of the Company from continuing operations for the six months ended 30 June 2024 was approximately RMB0.7 million (2023: loss attributable to equity holders of the Company from continuing operations RMB4.8 million).

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 in RMB, US\$ and HK\$, certain bank deposits and bank loans which are denominated in US\$ and HK\$. The Group has no exchange gain for the six months ended 30 June 2024 and 2023. 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 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 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Total debt	527,300	515,655
Less: Time deposits, pledged bank deposits, cash and cash equivalents	<u>(5,791)</u>	<u>(1,520)</u>
Net debt	<u>521,509</u>	<u>514,135</u>

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Repayable:		
– Within 1 year or on demand	352,878	340,708
– After 1 year but within 2 years	<u>3,255</u>	<u>3,218</u>
	<u>356,133</u>	<u>343,926</u>

As at 30 June 2024, the Group's other borrowings amounted to approximately RMB356.1 million in aggregate (31 December 2023: approximately RMB343.9 million).

Financial Guarantee Contracts

According to the Debt Restructuring as disclosed in note 12, the Company has provided financial guarantees to Suzhou First Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司) (“**Suzhou First Pharma**”) and its subsidiaries for bank borrowings and one of the other borrowings with aggregated carrying amounts of approximately RMB348.1 million and RMB58.0 million, respectively as at the date of completion date of transfer (i.e. 1 August 2023).

Both lenders declared the unsettled balances to the Court and the Court ruling the approved amounts to be approximately RMB383.2 million and RMB60.8 million, respectively on 6 July 2023. According to the Debt Restructuring proposal approved by the Court, all creditors are subject to the repayment allocations following several auctions to sell the assets of Suzhou First Pharma and its subsidiaries, which will be carried out by the Administrator.

The directors of the Company consider the Company as a guarantor will be liable on guaranteed borrowings if the repayment allocations could not fully recover the approved amounts. The Company might subject to repay the remaining unpaid balances.

As at 30 June 2024 and 31 December 2023, the financial guarantee contract represented the fair value of the financial guarantee, which was determined by the management of the Company based on the fair value of Suzhou First Pharma’s assets to be sold in the coming auctions and the repayment allocations ratio with reference to the first repayment allocation, which was completed upon the transfer to shareholding of Suzhou First Pharma.

As a result, financial guarantee contracts of approximately RMB133.0 million and RMB37.7 million recognised during the six months ended 30 June 2024.

Up to the date of this announcement, the other borrowings with aggregated financial guarantee amount of approximately RMB37,705,000 was negotiating with the Company. Save as disclosed, no other lenders have taken any actions to claim the Company in respect of these financial guarantees.

Debt-to-Assets Ratio

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Total debt	527,300	515,655
Total assets	338,764	329,122
Debt-to-assets ratio	155.7%	156.7%

Capital Commitments

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Contracted but not provided for – acquisition of a production license of a medication	1,440	1,440

As at 30 June 2024 and 31 December 2023, the Group had no future minimum lease payments under non-cancellable operating lease payable.

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

Significant Investments Held

Except for investments in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the six months ended 30 June 2024.

Material Acquisition and Disposal

On 21 June 2022, the Licensee, a wholly owned subsidiary of the Company, entered into the Licensing & Collaboration Agreement with the Licensor, pursuant to which the Licensor conditionally agreed to grant the Licensee the License. As the Licensee and the Licensor cannot agree on the adjustment on the delayed research and development timetable of the Product, the Licensee and the Licensor agreed to terminate the Acquisition. Details of the above termination were disclosed in the Company's announcements 19 July 2024.

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

USE OF PROCEEDS FROM THE PLACING

On 21 September 2023, the Company completed the placing of a total of 263,073,000 new shares at a placing price of HK\$0.05 per placing share. The net proceeds from the Placing after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) were approximately HK\$12 million.

The table below sets forth the allocation and status of utilisation of the net proceeds as of 30 June 2024 and the expected timeline of the use of the unutilised net proceeds:

Usage of net proceeds	Net proceeds of the Placing <i>HK\$'000</i>	Net proceeds after reallocation <i>HK\$'000</i>	Actual utilised amount up to 30 June 2024 <i>HK\$'000</i>	Unutilised amount as of 30 June 2024 <i>HK\$'000</i>	Expected timeline for using the unutilised proceeds
Business development					
For the processing fee to produce orthopaedic drugs under the pharmaceutical license	2,000	2,000	–	2,000	Before December 2024
For the development of bone health products	1,500	1,500	1,500	–	N/A
For the capital of the research and development of a project	2,900	–	–	–	N/A
Working capital					
Service fees for professional parties	2,500	2,500	1,500	1,000	Before September 2024
Office rental and utilities expenses	500	500	500	–	N/A
Directors' emoluments and staff salaries	1,500	3,000	1,500	1,500	Before December 2024
Other general expenses	1,100	2,500	1,100	1,400	Before December 2024

The Company originally planned to apply approximately of such net proceeds for the capital of the research and development of the project. Given that the Acquisition will not proceed, 24.2% of the net proceeds initially the capital of the research and development of the Product, being approximately HK\$2.9 million is not utilized. The Board intended to apply and re-allocate the Remaining Proceeds to working capital and general corporate purposes, which is beneficial to the Company and the Shareholders as a whole and enhance the Group's financial management flexibility. For detail, please refer to the Company's announcement dated 19 July 2024.

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed and stated above. The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilizing the net proceeds and will ensure the net proceeds will be used effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilization set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

HUMAN RESOURCES

As at 30 June 2024, the Group had 20 full-time employees (30 June 2023: 9 employees). For the Period Under Review, the Group's total costs on remuneration, welfare and social security amounted to approximately RMB2.5 million (for the six months ended 30 June 2023: approximately RMB1.0 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2024 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company’s business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Ng Ming Kwan, chairman of Audit Committee, Mr. Yu Tze Shan Hailson and Dr. Zhao Yubiao, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 and has recommended its adoption by the Board. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained sufficient public float of more than 25% of the Company’s issued share capital as required under the Listing Rules as of the date of this announcement.

PUBLICATION OF RESULTS

This unaudited interim results announcement has been published on our website at www.ntpharma.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report will be dispatched to the shareholders of our Company and published on our website at www.ntpharma.com and the website of the Stock Exchange at www.hkexnews.hk in due course on or before 30 September 2024.

APPRECIATION

The Board would like to express our heartfelt gratitude towards the management team and staff for their commitment and diligence, and would like to thank our shareholders and business associates for their strong support to the Group.

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

Hong Kong, 30 August 2024

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