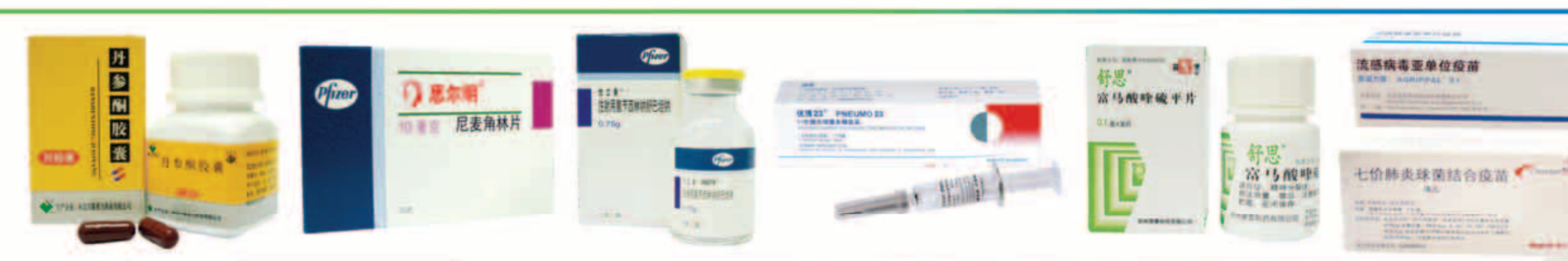
China NT Pharma Group Company Limited
中國泰凌醫藥集團有限公司






Interim Report 2011

Stock Code: 01011



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China NT Pharma Group's vision is to be the largest third party promotion and sales services provider for both pharmaceutical and vaccine products in China

- Gross profit increased by 25% to RMB289 million
- Profit from operations grew by 25% to RMB52 million
- Net profit attributable to equity shareholders increased by 133% to RMB11 million
- Net profit attributable to equity shareholders excluding one-time IPO expenses increased by 341% to RMB21 million

Board of Directors and Committees

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Tit

Mr. Ng Yuk Keung

Non-executive Directors

Ms. Chin Yu

Dr. Qian Wei

Mr. Stephen Cheuk Kin Law

Independent Non-executive Directors

Mr. Yue Nien Martin Tang

Mr. Patrick Sun

Dr. Lap-Chee Tsui

COMMITTEES

Audit Committee

Mr. Patrick Sun *(Chairman)*

Mr. Yue Nien Martin Tang

Dr. Lap-Chee Tsui

Remuneration Committee

Mr. Yue Nien Martin Tang *(Chairman)*

Mr. Patrick Sun

Mr. Ng Tit

Nomination Committee

Mr. Ng Tit *(Chairman)*

Mr. Patrick Sun

Mr. Yue Nien Martin Tang

Corporate Information

COMPANY SECRETARY

Mr. Ng Yuk Keung *(CPA and FCCA)*

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW

Freshfields Bruckhaus Deringer

LEGAL ADVISORS AS TO PRC LAW

Global Law Office

COMPLIANCE ADVISOR

Investec Capital Asia Limited

PRINCIPAL BANKERS

The Bank of East Asia, Limited
38/F, BEA Tower
Millennium City 5
418 Kwun Tong Road
Kowloon
Hong Kong

ANZ
22/F, Raffles City
268 Xizang Middle Road
Peoples Square
Shanghai
PRC

China Construction Bank
No. 399 Gulou Road
Taizhou City
Jiangsu
PRC

China Everbright Bank
3/F, Everbright Bank Building
No. 1118 Central Avenue
Shanghai
PRC

China Merchants Bank
No. 430, Jia Yuan Road
Suzhou City, Jiangsu
PRC

Shanghai Pudong Development Bank
No. 215 North Qingnian Road
Taizou City, Jiangsu,
PRC

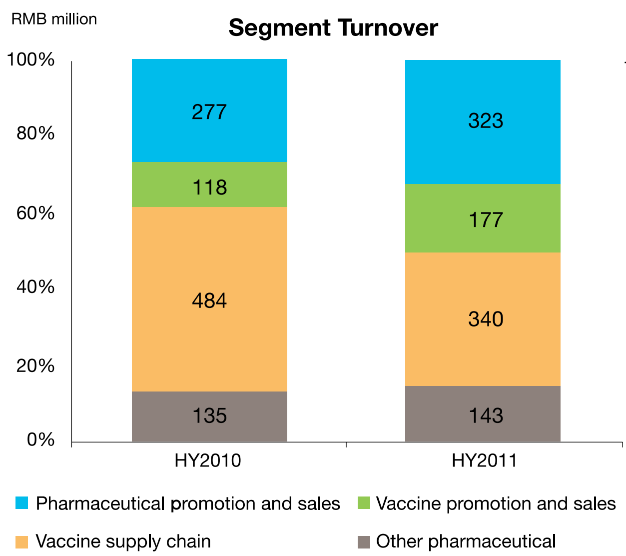
Financial Highlights

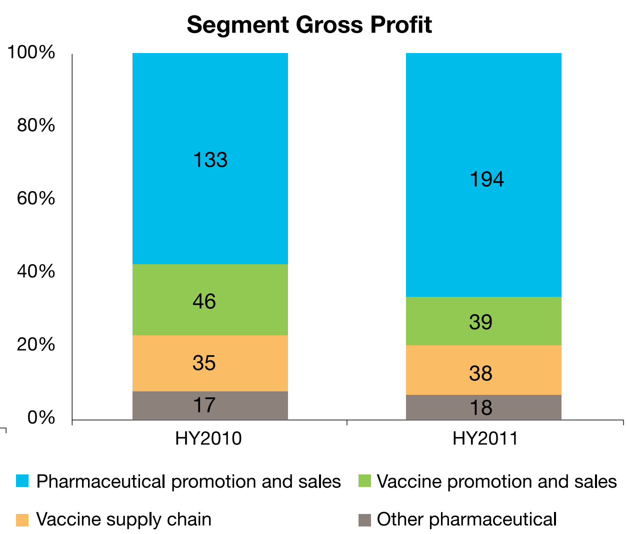
RMB million	Six months ended 30 June **2011**	2010	Year ended 31 December 2010
Turnover			
Pharmaceutical promotion and sales	**323**	277	838
Vaccine promotion and sales	**177**	118	357
Vaccine supply chain	**340**	484	1,168
Other pharmaceutical	**143**	135	305
	983	1,014	2,668
Gross Profit			
Pharmaceutical promotion and sales	**194**	133	399
Vaccine promotion and sales	**39**	46	136
Vaccine supply chain	**38**	35	86
Other pharmaceutical	**18**	17	42
	289	231	663
Profit from operations	**52**	42	256
Net profit attributable to equity shareholders	**11**	4.8	129
Net profit attributable to equity shareholders excluding one-time IPO expenses*	**21**	4.8	141
Earnings per share			
Basic (RMB)	**1.21 cents**	0.59 cents	
Diluted (RMB)	**1.18 cents**	0.58 cents	

* *The one-time IPO expenses in 1H 2011 were about RMB10 million, in FY2010 were about RMB12 million.*

Financial Highlights

	30 June 2011	31 December 2010
Total assets	**3,535**	2,755
Total debts	**775**	840
Shareholders' funds	**1,833**	487
Gearing ratio (%)*	**22%**	30%





$$\text{*Gearing ratio: } = \frac{\text{Total debts}}{\text{Total assets}}$$

Chairman's Statement

I am pleased to present the results of China NT Pharma Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011.

RESULTS

While the turnover of our core promotion and sales businesses and the total gross profit of the Group showed solid growth, total turnover of the Group for the six months decreased marginally from last year's RMB1,014.9 million to RMB983.0 million, which was mainly due to the relatively poor performance of the vaccine supply chain business in the first half of 2011. The pharmaceutical promotion and sales business generated 32.8% of the Group's total turnover, compared to last year's 27.3%. The vaccine promotion and sales business made up 18.0% of the Group's total turnover, versus last year's 11.6%. Turnover of the vaccine supply chain business made up 34.6% of the Group's total for the six months, compared to last year's 47.7%; the remainder was contributed by the other pharmaceutical business.

In the first six months of the year, the Group continued to execute the strategy of focusing on the promotion and sales businesses, which have higher profit margins, resulting in the two promotion and sales businesses, pharmaceutical and vaccine, contributing 50.8% of the Group's total turnover, compared to last year's 38.9%. Cost of sales dropped by 11.5% to RMB694.4 million for the period, versus last year's RMB784.3 million. Gross profit of the Group grew by 25.2% to RMB288.6 million compared to last year's RMB230.6 million; gross profit margin strengthened from last year's 22.7% to 29.4%. The significant improvement in gross profit and gross profit margin reflects primarily the strong results of the pharmaceutical promotion and sales business especially from products *Fortum* (by *GSK*) and *Libod* (by *Fudan Zhangjiang*).

Net profit attributable to equity shareholders was RMB11.1 million, an increase of 133% compared to last year's RMB4.8 million. Basic earnings per share were RMB1.21 cents, an increase of 105% from last year's RMB0.59 cents. Excluding one-time IPO expenses, net profit attributable to equity shareholders was RMB21 million, an increase of 341% compared to last year. Earnings of the Group are still highly impacted by seasonality, i.e., significantly higher sales are earned in the second half of the year as compared to the first half, while expenses are evenly distributed throughout the year. Though seasonality remains an issue for the Group, we will continue our efforts in optimising our product mix to lower the seasonality impact in the future.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

BUSINESS REVIEWS

Pharmaceutical Promotion and Sales Business

Driven primarily by the sales of *Fortum*, the pharmaceutical promotion and sales business reported turnover of RMB322.8 million, an increase of 16.5% from last year's RMB 277.1 million. Segment operating profit grew by 98.1% to RMB65.3 million, compared to last year's RMB33.0 million. Segment operating profit margin improved from last year's 11.9% to 20.2%. Sales of *Libod*, which the Group launched in March 2011 as the nationwide exclusive distributor, were encouraging for the period. The sales network of our pharmaceutical promotion and sales business increased by about 200 hospitals from over 3,500 hospitals at the end of 2010 to over 3,700 hospitals at 30 June 2011.

Vaccine Promotion and Sales Business

With the launch of *Pneumo 23* (by *Sanofi Pasteur*) in March 2011, turnover generated from the vaccine promotion and sales business grew by 50.0% from last year's RMB117.9 million to RMB176.9 million for the six months. Segment operating profit was RMB2.4 million, versus last year's RMB15.8 million. Segment operating profit margin was 1.4%, compared to last year's 13.4%. The drop in segment operating profit was mainly due to *Pneumo 23's* relatively low gross margin and investments in marketing and promotion for its launch. Disproportionately high promotion expenses in the first few months are typically associated with the launch of a new promotion product. We believe that despite *Pneumo 23* generating a lower gross margin, the high demand for the product in terms of volume and lower promotion expense ratios in the future should enable the product to become a significant contributor to the Group's earnings. In addition, we started the promotion of *Vaxigrip* (by *Sanofi Pasteur*), a vaccine for seasonal influenza, in August 2011 and we expect the product to be another contributor to the growth of the Group in the second half of the year.

Vaccine Supply Chain Business

The operating environment of the vaccine supply chain business remained difficult in the first half of 2011. The apparent impact of the new 2010 Chinese Pharmacopoeia on vaccines manufactured by multinational companies, including our major supplier GSK, was more severe than originally anticipated, leading to a decrease in the supply of certain vaccines from our suppliers. In addition, general demand for vaccines had not fully recovered from the industry-wide disruptions last year caused by safety and quality incidents (neither the Group nor its suppliers' products were involved in these incidents.) Turnover of the vaccine supply chain business was RMB340.3 million for the period, representing a drop of 29.8% compared to last year's RMB484.4 million. Segment operating profit was RMB19.3 million for the period, compared to last year's RMB14.4 million. Segment operating profit margin improved from last year's 3.0% to 5.7% due to higher margin from the Novartis business introduced in the second half of 2010.

Other Pharmaceutical Business

Turnover from the other pharmaceutical business including the manufacturing and sale of pharmaceutical products was RMB143.2 million, up 5.6% from last year's RMB135.5 million. Segment operating profit was RMB249,000 compared to last year's RMB726,000.

KEY DEVELOPMENTS

In March 2011, we signed two new promotion and sales agreements, one for *Pneumo 23*, a 23-valent pneumococcal vaccine mainly targeting the adult and senior population, with *Sanofi Pasteur* for the nationwide exclusive rights in China, and one for *Prevenar* with *Pfizer* for certain geographical markets in China (previously we only provided supply chain services for *Prevenar* before entering into the new promotion and sales contract). We have also expanded our promotion and sales agreement with *Fudan-Zhangjiang* regarding *Libod*, a cancer drug, which grants us nationwide exclusivity and extends our promotion and sales term to eight years. In August 2011, we began nationwide exclusive promotion of *Vaxigrip*, a seasonal influenza vaccine by *Sanofi Pasteur*. We have also renewed our nationwide exclusive promotion agreement of *Meningo* with *Sanofi Pasteur* until December 2015 and our nationwide exclusive promotion agreement of *Pneumo 23* with *Sanofi Pasteur* until December 2014. In addition, we have entered into a binding letter of intent with *Hualan Biological* for the nationwide promotion and sales of *Hep-B*, a hepatitis B vaccine. It is a competing product of *Engerix-B* (by *GSK*), of which we will discontinue the promotion and sales in the second half of the year. We believe the key developments detailed above will benefit the Group's growth in the coming future.

Chairman's Statement

PROSPECTS

In the first half of 2011 we focused on reshaping our business with a view to enhancing our profit margin and improving working capital. Our core competitive strength is our extensive network coverage of hospitals, Centers for Disease Control and Prevention ("CDC"), Points of Vaccinations ("POV") and healthcare professionals, and we intend to further leverage on this strength by providing end-to-end services to our principals that combine promotion and sales as well as supply chain services all in one.

The pharmaceutical promotion and sales business has been our largest contributor of profits and made up approximately 75% of our total segment operating profit for the first half of 2011. We will continue to drive growth in this business segment by expanding our product portfolio from anti-infective and CNS ("Central Nervous System") products to products in oncology and other attractive therapeutic areas.

For the vaccine business, the clear positioning of the Group as the preferred end-to-end service provider rather than diverting the Group's resources to providing just vaccine supply chain services can further strengthen the profit margins of the Group and improve our working capital. The sharp increase in the contribution from our vaccine promotion and sales business along with an overall margin expansion for the Group achieved in the first half of the year is a testament that we are heading in the right direction. Despite the vaccine supply chain business being a high volume business and accounting for 34.6% of the Group's total turnover for the six months ended 30 June 2011, the provision of supply chain services alone is a low margin business and does not take advantage of our promotion and sales network. Consistent with the focus on promotion and sales business, we will terminate the vaccine supply chain business for certain vaccine products supplied by GSK when the contract with GSK expires at the end of August 2011. We expect to remain close partner with GSK in our pharmaceutical and vaccine promotion and sales businesses after the termination of our cooperation in the vaccine supply chain business. We believe that our diversified product portfolio and supplier base should help us further strengthen our position as the preferred one-stop vaccine supplier for our CDC and POV customers.

Looking forward, I believe that the Group is well positioned to enter into the next phase of growth with the continued expansion of our promotion and sales network for both the pharmaceutical and vaccine businesses as well as the repositioning of our vaccine business, combining organic growth with product licensing and acquisitions, with the singular objective of maximising shareholder value.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors for their guidance and thank all our staff for their dedication and hard work.

Ng Tit
Chairman and CEO

Hong Kong, 17 August 2011

FINANCIAL REVIEW AND ANALYSIS

INTRODUCTION

The Group's interim report for the six months ended 30 June 2011 includes a letter from the Chairman to shareholders, the consolidated interim financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

Turnover

Impacted by the relatively poor performance of vaccine distribution business in the first half of 2011, turnover of the Group for the six months decreased marginally from last year's RMB1,014.9 million to RMB983.0 million.

	Six months ended 30 June		
	2011	2010	Change
RMB million			
Turnover by segments			
Vaccine supply chain	**340.3**	484.4	(144.1)
Vaccine promotion and sales	**176.9**	117.9	59.0
Pharmaceutical promotion and sales	**322.8**	277.1	45.7
Other pharmaceutical	**143.1**	135.5	7.6

Cost of sales

Cost of sales dropped by 11.5% from last year's RMB784.3 million to RMB694.4 million for the period, mainly due to the increasing focus on the promotion and sales business of vaccines and pharmaceutical products.

Segment operating profit

	Six months ended 30 June		
	2011	2010	Change
RMB million			
Vaccine supply chain	**19.3**	14.4	4.9
Vaccine promotion and sales	**2.4**	15.8	(13.4)
Pharmaceutical promotion and sales	**65.3**	33.0	32.3
Other pharmaceutical	**0.25**	0.73	(0.48)

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company was RMB11.1 million, an increase of 133.3% compared to last year's RMB4.8 million as the Group continued to focus the promotion of sales business which have higher margin.

Earnings Per Share

Earnings per share were RMB1.21 cents, an increase of 105.1% from last year's RMB0.59 cents.

Management Discussion and Analysis

Finance Costs

Our finance costs consist of interest on bank borrowings and bank charges. The Group's interest expense charged to profit or loss increased from RMB17.0 million to RMB33.0 million in the first half of 2011.

Taxation

Income tax expense decreased from RMB19.7 million to RMB8.1 million due to more effective allocation of expenses to subsidiaries according to their respective level of activities which led to a smaller amount of expenses deemed to be non-deductible for tax purpose.

Capital Expenditure

In the past, our capital expenditure consisted primarily of purchases of property, plant and equipment, obtaining land use rights and purchases of intangible assets primarily through business combinations or acquisition activities. The total capital expenditure of the Group was RMB36 million for the six months ended 30 June 2011, mainly for the construction of cold chain storage facilities for our logistics centre in Taizhou, Jiangsu and the acquisition of exclusive agency right in respect of sales and distribution of Libod.

USE OF PROCEEDS

Net proceeds of the global offering of the Company on 20 April 2011 amounted to approximately RMB934 million. During the six months ended 30 June 2011, RMB20 million was used to pay for the acquisition of exclusive agency right and RMB144 million was used to procure new products. RMB65 million was used as working capital of the Group; RMB16 million was used as capital expenditure and RMB45 million was used to repay loans.

TREASURY POLICY AND RISK MANAGEMENT

General Policies

The primary objective of our capital management is to maintain our ability to continue as a going concern so that we 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 financing at a reasonable cost. We actively and regularly review and manage our capital structure and make adjustments taking into consideration changes in economic conditions, our future capital requirements, prevailing and projected profitability and operating cashflows, projected capital expenditure and projected strategic investment opportunities. We monitor our capital structure using gearing ratio (defined as total debts divided by total assets).

Foreign Currency Exposure

We are exposed to currency risks primarily through sales and purchases made by our Hong Kong and PRC subsidiaries that are denominated in US dollars and Great British pounds. In addition, certain bank loans are denominated in US dollars. Presently, we have no hedging policy with respect to our foreign exchange exposure.

Interest Rate Exposure

Our interest rate risk arises primarily from bank loans, other loans and bank balances. Borrowings at variable rates expose us to cash flow interest rate risk. We do not use financial derivatives to hedge against the interest rate risk.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Summary of Consolidated Cash Flow Statement

	Six months ended 30 June		
RMB million	**2011**	2010	Change
Net cash used in operating activities	**(148.1)**	(228.6)	80.5
Net cash used in investing activities	**(58.4)**	(12.7)	(45.7)
Net cash generated from financing activities	**841.0**	167.2	673.8
Net increase/(decrease) in cash and cash equivalents	**634.5**	(74.1)	708.6

Net cash used in operating activities

Operating profit before changes in working capital was RMB73.2 million for the six months ended 30 June 2011 versus RMB60.3 million in the same period last year. After taking into account the increase in working capital of RMB190.3 million which included an increase of RMB43.2 million in inventories, an increase of RMB61.5 million in trade and other receivables and a decrease of RMB85.6 million in trade and other payables, cash used in operations for the six months was RMB117.1 million.

After taking into account the tax paid of RMB31.0 million for the six months ended 30 June 2011, net cash used in operating activities was RMB148.1 million.

Net cash used in investing activities

Net cash used in investing activities was RMB58.4 million for the six months ended 30 June 2011, versus last year's RMB12.7 million.

Net cash generated from financing activities

Net cash generated from financing activities was RMB841.0 million for the six months as compared to last year's RMB167.2 million. The increase in net cash generated from financing activities was mainly due to net proceeds from the global offering of the Company of RMB933.8 million.

Group Debt and Liquidity

RMB million	**At 30 June 2011**	At 31 December 2010
Total debts	**774.6**	840.2
Cash and bank deposits	**(855.0)**	(202.0)
Net (cash)/debt	**(80.4)**	638.2

Management Discussion and Analysis

During the six months ended 30 June 2011, we did not experience any difficulties with renewing our bank loans with our lenders and we have not experienced any material delays of repayment of or defaults of our bank loans.

Liquidity Risk

Our individual operating subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowing exceeds certain predetermined levels of authority. Our policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All our non-interest bearing financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the balance sheet date. Other loan was repayable within one year of the balance sheet date.

Leverage

The Group closely monitors its gearing ratio (defined as total debts divided by total assets) to optimise its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

	At 30 June 2011	At 31 December 2010
RMB million		
Total debts	**774.6**	840.2
Total assets	**3,534.7**	2,755.3
Gearing ratio (%)*	**22%**	30%

* $\textit{Gearing ratio} = \dfrac{\textit{Total debts}}{\textit{Total assets}}$

Shareholders' Funds Per Share

The calculation of shareholders' funds per share is based on the total equity attributable to shareholders of the Company of RMB1,832.5 million and the total of 1,081,916,500 shares issued as at 30 June 2011. Shareholders' funds per share as at 30 June 2011 totalled RMB1.69.

Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Charges on Group's Assets

As at 30 June 2011, the Group has pledged deposits amounting to RMB71 million, being bank deposits pledged to secure certain bank loans and bills payable amounting to a total of RMB176 million. Certain banking facilities of the Group were also secured by the Group's inventories and trade and other receivables amounting to RMB50 million and RMB229 million respectively.

Material Acquisitions and Disposal of Assets

Save for the reorganisation of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group did not have any material acquisitions or disposals of assets during the six months ended 30 June 2011.

HUMAN RESOURCES

As at 30 June 2011, the total number of employees was 1,190, among which 1,183 employees were based in mainland China and the rest in Hong Kong.

Independent Auditor's Report

Independent auditor's report to the board of directors of China NT Pharma Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated interim financial statements of China NT Pharma Group Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 83, which comprise the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. This report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated interim financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2011 and of the Group's profit and cash flows for the six months then ended in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* and Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
17 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2011**	2010
		RMB'000	RMB'000
Turnover	5	**983,040**	1,014,929
Cost of sales		**(694,405)**	(784,340)
Gross profit		**288,635**	230,589
Other revenue	6	**4,231**	1,968
Other net income	7	**4,949**	4,058
Selling and distribution expenses		**(195,803)**	(162,577)
Administrative expenses		**(49,836)**	(32,176)
Profit from operations		**52,176**	41,862
Finance costs	8(a)	**(32,963)**	(16,976)
Profit before taxation	8	**19,213**	24,886
Income tax	9(a)	**(8,106)**	(19,726)
Profit for the period		**11,107**	5,160
Attributable to:			
Equity shareholders of the Company		**11,107**	4,760
Non-controlling interests		**—**	400
Profit for the period		**11,107**	5,160
Earnings per share	12		
Basic		**1.21 cents**	0.59 cents
Diluted		**1.18 cents**	0.58 cents

The notes on pages 24 to 83 form part of these interim financial statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**11,107**	5,160
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC"), net of nil tax	**7,428**	3,563
Total comprehensive income for the period	**18,535**	8,723
Attributable to:		
Equity shareholders of the Company	**18,535**	8,323
Non-controlling interests	**—**	400
Total comprehensive income for the period	**18,535**	8,723

Consolidated Balance Sheet

At 30 June 2011
(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Fixed assets	14		
– Property, plant and equipment		**205,747**	208,859
– Interests in leasehold land held for own use under operating leases		**32,095**	32,477
		237,842	241,336
Prepayment for fixed assets		**2,397**	2,397
Intangible assets	15	**53,495**	37,174
Goodwill	16	**1,250**	1,250
Deferred tax assets	24(b)	**17,519**	5,919
		312,503	288,076
Current assets			
Inventories	17	**568,169**	527,054
Trade and other receivables	18	**1,799,056**	1,738,213
Pledged bank deposits	19	**70,835**	47,080
Cash at bank and in hand	20	**784,152**	154,913
		3,222,212	2,467,260
Current liabilities			
Trade and other payables	21	**869,230**	1,358,270
Bank loans and overdrafts	22	**774,577**	833,687
Other loan	23	**—**	6,500
Current taxation	24(a)	**42,692**	51,941
		1,686,499	2,250,398
Net current assets		**1,535,713**	216,862

Consolidated Balance Sheet

At 30 June 2011
(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Total assets less current liabilities		**1,848,216**	504,938
Non-current liabilities			
Deferred tax liabilities	24(b)	**585**	2,661
NET ASSETS		**1,847,631**	502,277
CAPITAL AND RESERVES			
Share capital	26(b)	**1**	—
Reserves		**1,832,500**	487,147
Total equity attributable to equity shareholders of the Company		**1,832,501**	487,147
Non-controlling interests		**15,130**	15,130
TOTAL EQUITY		**1,847,631**	502,277

Approved and authorised for issue by the board of directors on 17 August 2011

Ng Tit
Director

Ng Yuk Keung
Director

The notes on pages 24 to 83 form part of these interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 26(b))	Share premium RMB'000 (Note 26(c)(i))	Exchange reserve RMB'000 (Note 26(c)(ii))	Statutory reserve RMB'000 (Note 26(c)(iii))	Merger reserve RMB'000 (Note 26(c)(iv))	Other reserve RMB'000 (Note 26(c)(v))	Capital reserve RMB'000 (Note 26(c)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	–	–	37,726	44,901	8,256	–	4,116	226,747	321,746	15,130	336,876
Changes in equity for the six months ended 30 June 2010:											
Profit for the period	–	–	–	–	–	–	–	4,760	4,760	400	5,160
Other comprehensive income	–	–	3,563	–	–	–	–	–	3,563	–	3,563
Total comprehensive income	–	–	3,563	–	–	–	–	4,760	8,323	400	8,723
Equity-settled share-based transactions	–	–	–	–	–	–	11,598	–	11,598	–	11,598
Balance at 30 June 2010 and 1 July 2010	–	–	41,289	44,901	8,256	–	15,714	231,507	341,667	15,530	357,197
Changes in equity for the six months ended 31 December 2010:											
Profit for the period	–	–	–	–	–	–	–	123,850	123,850	400	124,250
Other comprehensive income	–	–	8,422	–	–	–	–	–	8,422	–	8,422
Total comprehensive income	–	–	8,422	–	–	–	–	123,850	132,272	400	132,672
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(800)	(800)
Equity-settled share-based transactions	–	–	–	–	–	–	13,208	–	13,208	–	13,208
Appropriation to statutory reserve	–	–	–	20,458	–	–	–	(20,458)	–	–	–
Balance at 31 December 2010	–	–	49,711	65,359	8,256	–	28,922	334,899	487,147	15,130	502,277

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 26(b))	Share premium RMB'000 (Note 26(c)(i))	Exchange reserve RMB'000 (Note 26(c)(ii))	Statutory reserve RMB'000 (Note 26(c)(iii))	Merger reserve RMB'000 (Note 26(c)(iv))	Other reserve RMB'000 (Note 26(c)(v))	Capital reserve RMB'000 (Note 26(c)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	–	–	49,711	65,359	8,256	–	28,922	334,899	487,147	15,130	502,277
Changes in equity for the six months ended 30 June 2011:											
Profit for the period	–	–	–	–	–	–	–	11,107	11,107	–	11,107
Other comprehensive income	–	–	7,428	–	–	–	–	–	7,428	–	7,428
Total comprehensive income	–	–	7,428	–	–	–	–	11,107	18,535	–	18,535
Shares issued under the Reorganisation	1	–	–	–	–	383,379	–	–	383,380	–	383,380
Shares issued under placing and public offering, net of share issuance expenses	–	933,786	–	–	–	–	–	–	933,786	–	933,786
Equity-settled share-based transactions	–	–	–	–	–	–	9,653	–	9,653	–	9,653
Balance at 30 June 2011	1	933,786	57,139	65,359	8,256	383,379	38,575	346,006	1,832,501	15,130	1,847,631

The notes on pages 24 to 83 form part of these interim financial statements.

Consolidated Cash Flow Statement

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation		**19,213**	24,886
Adjustments for:			
Depreciation	8(c)	**7,786**	5,452
Amortisation of interests in leasehold land held for own use under operating leases	8(c)	**382**	161
Amortisation of intangible assets	8(c)	**3,798**	2,130
Finance costs	8(a)	**32,963**	16,976
Bank interest income	6	**(1,346)**	(188)
Net loss/(gain) on disposal of property, plant and equipment	7	**4**	(535)
Equity-settled share-based payment expenses	8(b)	**9,653**	11,598
Foreign exchange loss/(gain)		**790**	(149)
Operating profit before changes in working capital		**73,243**	60,331
Increase in inventories		**(43,233)**	(212,526)
Increase in trade and other receivables		**(61,537)**	(49,436)
(Decrease)/increase in trade and other payables		**(85,591)**	13,301
Cash used in operations		**(117,118)**	(188,330)
Tax paid			
Hong Kong Profits Tax paid		**(1,557)**	—
PRC Income Tax paid		**(29,474)**	(40,241)
Net cash used in operating activities		**(148,149)**	(228,571)

Consolidated Cash Flow Statement

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
Investing activities			
Payment for purchases of property, plant and equipment		**(15,844)**	(30,871)
Payment for the purchase of intangible assets		**(20,128)**	(1,288)
Proceeds from disposal of property, plant and equipment		**—**	2,761
(Increase)/decrease in pledged bank deposits		**(23,755)**	16,499
Interest received		**1,346**	188
Net cash used in investing activities		**(58,381)**	(12,711)
Financing activities			
Proceeds from new bank loans		**843,768**	837,769
Proceeds from other loans		**250,000**	16,500
Repayment of bank loans		**(897,103)**	(722,185)
Repayment of other loan		**(256,500)**	(70,000)
Advances from related companies		**—**	122,120
Interest paid		**(32,963)**	(16,976)
Net proceeds from issuance of shares under placing and public offering		**933,786**	—
Net cash generated from financing activities		**840,988**	167,228
Net increase/(decrease) in cash and cash equivalents		**634,458**	(74,054)
Cash and cash equivalents at 1 January		**149,810**	212,240
Effect of foreign exchange rate changes		**(116)**	180
Cash and cash equivalents at 30 June	20	**784,152**	138,366

The notes on pages 24 to 83 form part of these interim financial statements.

Notes to the Consolidated Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY AND CORPORATE REORGANISATION

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 33 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 8 April 2011. Details of the Reorganisation are set out in the Company's prospectus dated 8 April 2011 (the "Prospectus") and note 26(b). The Company's shares were listed on the Stock Exchange on 20 April 2011.

Details of the Company's subsidiaries as at 30 June 2011 are as follows:

			Proportion of ownership interest			
Name of company	**Place of establishment/ incorporation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
NT Pharma (Group) Co., Ltd.	British Virgin Islands ("BVI")	US$9	100%	100%	—	Investment holding
Kimford Investment Limited ("Kimford")	BVI	US$1	100%	—	100%	Investment holding
Goldwise Resources Limited	BVI	US$1	100%	—	100%	Investment holding
Tai Ning Pharmaceutical (Investment) Company Limited	BVI	US$1	100%	—	100%	Investment holding
Farbo Investment Limited	BVI	US$1	100%	—	100%	Investment holding
Humford Limited	BVI	US$1	100%	—	100%	Investment holding
NTP (China) Investment Co., Limited	Hong Kong	HK$15,000,000	100%	—	100%	Investment holding
NT Pharma (HK) Limited	Hong Kong	HK$2	100%	—	100%	Trading of prescription medicines

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY AND CORPORATE REORGANISATION (Continued)

Details of the Company's subsidiaries as at 30 June 2011 are as follows (Continued):

Name of company	Place of establishment/ incorporation	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
NT Pharma (SH) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	PRC	US$2,000,000	100%	—	100%	Sales of prescription medicines
NT Tongzhou (BJ) Pharma Co., Ltd. (泰凌同舟(北京)醫藥有限公司) (note (i))	PRC	RMB10,000,000	100%	—	100%	Sales of prescription medicines and vaccines
Guangdong NT Pharma Co., Ltd. (廣東泰凌醫藥有限公司) (note (i))	PRC	RMB20,000,000	100%	—	100%	Sales of prescription medicines
NT Tongzhou Pharma Consulting (SH) Co., Ltd. (泰凌同舟醫藥諮詢(上海)有限公司) (note (i))	PRC	US$3,370,000	100%	—	100%	Provision of logistics and consulting services
Hainan NT Biologicals Co., Ltd. (海南泰凌生物製品有限公司) (note (i))	PRC	RMB100,000,000	100%	—	100%	Sales of vaccines
NT Tongzhou Pharma (SH) Co., Ltd. (泰凌同舟醫藥(上海)有限公司) (note (i))	PRC	RMB50,000,000	100%	—	100%	Sales of prescription medicines and vaccines
Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First Pharma") (蘇州第壹製藥有限公司) (notes (i) and (ii))	PRC	RMB55,625,000	80%	—	80%	Manufacturing of prescription medicines

Notes to the Consolidated Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY AND CORPORATE REORGANISATION (Continued)

Details of the Company's subsidiaries as at 30 June 2011 are as follows (Continued):

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Pharma (China) Co., Ltd. (泰凌（中國）有限公司) (note (i))	PRC	US$11,851,401	100%	—	100%	Dormant
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥（江蘇）有限公司) (note (i))	PRC	RMB166,600,000	100%	—	100%	Sales of prescription medicines and vaccines
NT Pharma Information Consulting (SH) Co., Ltd. (泰凌醫藥信息諮詢（上海）有限公司) (note (i))	PRC	US$500,000	100%	—	100%	Provision of consulting services
NT Pharma (China) Investment Co., Ltd. (泰凌（中國）醫藥投資有限公司) (note (i))	PRC	US$20,030,000	100%	—	100%	Investment holding

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) Suzhou First Pharma, an 80% owned subsidiary, was established by Kimford together with Suzhou Pharmaceutical (Group) Co., Ltd ("Suzhou Group")（蘇州醫藥集團有限公司）on 23 December 2005. Kimford contributed cash of RMB44.5 million, representing 80% of the paid-in capital of Suzhou First Pharma while Suzhou Group contributed the remaining capital by injecting the business of manufacturing of pharmaceutical products. According to the agreement signed by Kimford and Suzhou Group dated 25 November 2005, the net profit of Suzhou First Pharma is to be shared by the Group and Suzhou Group on a 80:20 basis, subject to a minimum annual profit entitlement to Suzhou Group of RMB800,000. Pursuant to an acknowledgement letter signed by Suzhou Group dated 30 June 2011, Suzhou Group has agreed to waive its entitlement to any share of profit of Suzhou First Pharma for the year ending 31 December 2011.

2 BASIS OF PRESENTATION

As described in note 1, the Reorganisation of the Group was not completed until 8 April 2011. However, since all entities which took part in the Reorganisation were under common control of ultimate equity shareholders (the "Controlling Shareholders") before and immediately after the Reorganisation, these consolidated interim financial statements have been prepared as a reorganisation of businesses under common control.

The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement set out in these interim financial statements include the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire period presented. The consolidated balance sheet of the Group as at 31 December 2010 had been prepared to present the consolidated state of affairs of the Group as if the Group had been in existence as at that date.

All material intra-group transactions and balances have been eliminated on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting* and all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted and consistently applied by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated interim financial statements

The consolidated interim financial statements include the results of operations of the companies comprising the Group.

The consolidated interim financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the consolidated interim financial statements is the historical cost basis.

The preparation of the 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 consolidated interim financial statements and major sources of estimation uncertainty are discussed in note 30.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated interim financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated interim 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.

Merger accounting is adopted for common control combinations in which all of the combining entities are ultimately controlled by the same Controlling Shareholders both before and after the business combination and that control is not transitory.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 3(i)).

On disposal of a cash-generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
— Plant and machinery	5 - 10 years
— Furniture and fixtures	5 years
— Leasehold improvements	Over the term of lease
— Office equipment	5 years
— Motor vehicles	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the balance sheet at cost less impairment losses (see note 3(i)). The cost includes cost of construction, cost of purchased plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (see note 3(t)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (other than goodwill)

(i) Trademarks

Trademarks that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 3(i)). Amortisation of trademarks is charged to profit or loss on a straight line basis over a period of 10 years.

(ii) New medicine protection rights

New medicine protection rights that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 3(i)). Amortisation of new medicine protection rights is charged to profit or loss on a straight line basis over the protection rights period of 32 months.

(iii) Good Supply Practices ("GSP") licences

GSP licences that are acquired by the Group with indefinite useful lives are stated in the balance sheet at cost less impairment losses (see note 3(i)).

(iv) Exclusive agency rights

Exclusive agency rights that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 3(i)). Amortisation of exclusive agency rights is charged to profit or loss on a straight line basis over the agency period of 10 years.

(v) Club memberships

Club memberships that are acquired by the Group are stated in the balance sheet at cost less impairment losses (see note 3(i)).

(vi) Computer software

Computer software that is acquired by the Group is stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 3(i)). Computer software is amortised over its estimated useful life of 5 to 10 years.

Both the period and basis of amortisation of all intangible assets are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out above.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is determined and recognised as follows:

— For trade and other receivables carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

— For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

This assessment is made collectively where trade and other receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— construction in progress;

— intangible assets; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories

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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 period 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.

(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 under 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 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 that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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 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 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.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Service income

Service income is recognised when the relevant services are rendered.

(iii) Subsidy income

Subsidy income is recognised when the right to receive payment is established.

(iv) Interest income

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

(s) Translation of foreign currencies

Foreign currency transactions during the period 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 balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with a functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these interim financial statements, a related party is a person or entity that is related to the Group.

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

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

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

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) 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).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity, or vice versa.

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

(f) The entity is controlled or jointly-controlled by a person identified in (i).

(g) A person identified in (i)(a) 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).

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually, material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— HKAS 24 (revised 2009), *Related party disclosures*

— Improvements to HKFRSs (2010)

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these interim financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in Renminbi unless otherwise indicated)

5 TURNOVER

The principal activities of the Group are manufacturing, sales and distribution of pharmaceutical products and vaccines and the provision of services to its suppliers.

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of pharmaceutical products and vaccines	**852,694**	932,268
Service income	**130,346**	82,661
	983,040	1,014,929

Sales of pharmaceutical products and vaccines are derived from selling of pharmaceutical products and vaccines through the Group's four reportable segments as discussed in note 13, whereas service income represents fees received/receivable from the provision of marketing and promotion activities carried out by the Group, which are mainly determined based on the volume of products distributed by the Group.

The majority of the turnover of the Group is usually earned in the fourth quarter of the year, due to the increased demand for the Group's products for the influenza season, while expenses are evenly distributed throughout the year. As a result, the Group typically reports lower turnover and profits for the first half of the year than the second half.

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the six months ended 30 June 2011 and 2010. Details of concentration of credit risk are set out in note 27(a).

6 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Bank interest income	**1,346**	188
Subsidy income	**2,625**	1,658
Sundry income	**260**	122
	4,231	1,968

Subsidy income represents government subsidies received by certain subsidiaries of the Group which operate in the PRC in accordance with the subsidy policies of the local government authorities.

7 OTHER NET INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net (loss)/gain on disposal of property, plant and equipment	**(4)**	535
Net exchange gain	**4,953**	3,523
	4,949	4,058

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest on bank advances and other borrowings wholly repayable within five years	**26,508**	12,876
Bank charges	**6,455**	4,703
Total borrowing costs	**32,963**	17,579
Less: borrowing costs capitalised into construction in progress *	**—**	(603)
	32,963	16,976

* The borrowing costs were capitalised at a rate of 5.35% - 5.84% per annum during the six months ended 30 June 2010.

8 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Contributions to defined contribution retirement plans	**8,883**	9,480
Salaries, wages and other benefits	**62,126**	51,703
Equity-settled share-based payment expenses	**9,653**	11,598
	80,662	72,781

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at rates which range from 10% to 22% of the eligible employees' salaries during the period. 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% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

Save for the above schemes, the Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contribution described above.

(c) Other items

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Depreciation	**7,786**	5,452
Amortisation of interests in leasehold land held for own use under operating leases	**382**	161
Amortisation of intangible assets	**3,798**	2,130
Auditors' remuneration	**3,574**	447
Operating lease charges: minimum lease payments - property rental	**3,849**	4,303
Cost of inventories (note 17(b))	**682,659**	776,241

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax - Hong Kong Profits Tax		
Provision for the period	**10,208**	6,310
Current tax - PRC Income Tax		
Provision for the period	**12,255**	14,384
(Over)/under-provision in respect of prior periods	**(681)**	87
	11,574	14,471
Deferred tax		
Origination and reversal of temporary differences	**(13,676)**	(1,055)
	8,106	19,726

(b) Reconciliation between income tax and profit before taxation at applicable tax rates:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	**19,213**	24,886
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**1,288**	6,029
Tax effect of non-deductible expenses	**7,073**	13,097
Tax effect of non-taxable income	**(10)**	—
Tax effect of PRC tax concessions	**(51)**	(3,324)
Tax effect of unused tax losses not recognised	**951**	3,837
Tax effect of tax losses not recognised in prior years utilised during the period	**(464)**	—
(Over)/under-provision in respect of prior periods	**(681)**	87
Actual income tax	**8,106**	19,726

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

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between income tax and profit before taxation at applicable tax rates (Continued):

(ii) The provision for Hong Kong Profits Tax for the six months ended 30 June 2011 is calculated at 16.5% (30 June 2010: 16.5%) of the estimated assessable profits for that period. The payments of dividends by Hong Kong companies are not subject to withholding tax.

Taxation for the PRC operations is charged at the appropriate current rates of taxation ruling in the PRC. During the six months ended 30 June 2010, a PRC subsidiary was subject to tax at 50% of the tax rate under the relevant tax rules and regulations.

10 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Six months ended 30 June 2011					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment expenses (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ng Tit	—	1,510	—	5	—	1,515
Ng Yuk Keung	347	506	—	5	1,933	2,791
Non-executive directors						
Chin Yu	—	—	—	—	—	—
Qian Wei	—	—	—	—	—	—
Stephen Cheuk Kin Law	—	—	—	—	—	—
Independent non-executive directors						
Patrick Sun	105	—	—	—	—	105
Yue Nien Martin Tang	105	—	—	—	—	105
Lap-Chee Tsui	105	—	—	—	—	105
Total	662	2,016	—	10	1,933	4,621

10 DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows (Continued):

	Six months ended 30 June 2010					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment expenses (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ng Tit	—	1,579	—	5	—	1,584
Ng Yuk Keung	242	451	—	4	477	1,174
Non-executive directors						
Chin Yu	—	—	—	—	—	—
Qian Wei	—	—	—	—	—	—
Stephen Cheuk Kin Law	—	—	—	—	—	—
Independent non-executive directors						
Patrick Sun	73	—	—	—	—	73
Yue Nien Martin Tang	73	—	—	—	—	73
Lap-Chee Tsui	73	—	—	—	—	73
Total	461	2,030	—	9	477	2,977

Note: These represent the estimated value of share options granted to the directors. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(o)(ii).

During the six months ended 30 June 2011 and 2010, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include two directors of the Company for the six months ended 30 June 2011 (30 June 2010: two), whose emoluments are disclosed in note 10. The emoluments in respect of the remaining individuals are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other emoluments	**1,220**	876
Retirement scheme contribution	**64**	59
Equity-settled share-based payment expenses	**2,174**	2,540
	3,458	3,475
Number of senior management	**3**	3

The above individuals' emoluments are within the following band:

	Six months ended 30 June	
	2011	2010
	Number of individuals	Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	3

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company for the six months ended 30 June 2011 of RMB11,107,000 (30 June 2010: RMB4,760,000) and the weighted average number of ordinary shares of the Company in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2011	2010
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1 January (note 26(b)(i))	**—**	—
Effect of shares issued under the Reorganisation (note 26(b)(iii))	**811,438**	811,438
Effect of shares issued under placing and public offering (note 26(b)(iv))	**107,593**	—
Weighted average number of ordinary shares at 30 June	**919,031**	811,438

The weighted average number of ordinary shares issued pursuant to the Reorganisation is calculated as if the shares had been outstanding throughout the current and prior period.

12 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2011 of RMB11,107,000 (30 June 2010: RMB4,760,000) and the diluted weighted average number of ordinary shares in the respective period, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2011	2010
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares at 30 June	**919,031**	811,438
Effect of deemed issue of shares under the share option scheme for nil consideration	**19,554**	10,753
Weighted average number of ordinary shares (diluted) at 30 June	**938,585**	822,191

The diluted earnings per share is calculated as if the modification of the share options granted to the Group's directors and employees on 8 April 2011 (see note 25) had been effective since the beginning of the earliest period presented.

13 SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Pharmaceutical promotion and sales: this segment derives turnover from selling and marketing pharmaceutical products to customers, including promotion and ancillary supply chain services.

— Vaccine promotion and sales: this segment derives turnover from selling and marketing vaccine products to customers, including promotion and ancillary supply chain services.

— Vaccine supply chain: this segment derives turnover from supply chain services for vaccine products manufactured by the Group's suppliers, which are purchased from suppliers and then sold through the Group's network.

— Other pharmaceutical: this segment derives turnover from supply chain services for pharmaceutical products sold through the Group's supply chain network.

The Group's revenue and profit/loss were derived from sales in the PRC and the principal assets employed by the Group were located in the PRC during the period. Accordingly, no analysis by geographical segments has been provided for the period.

(a) Segment results

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

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

The measure used for reporting segment operating profit/loss is "operating profit/loss" which is profit/loss from operations adjusted for items not specifically attributed to individual segments, such as other revenue, other net income/loss, directors' and auditors' remuneration and other head office or corporate administration costs.

13 SEGMENT REPORTING (Continued)

(a) Segment results (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 and 2010 is set out below.

	Vaccine supply chain		Vaccine promotion and sales		Pharmaceutical promotion and sales		Other pharmaceutical		Total	
For the six months ended 30 June	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Reportable segment revenue	**340,251**	484,403	**176,867**	117,897	**322,756**	277,093	**143,166**	135,536	**983,040**	1,014,929
Cost of sales	**(302,664)**	(449,386)	**(137,754)**	(72,191)	**(128,571)**	(144,407)	**(125,416)**	(118,356)	**(694,405)**	(784,340)
Reportable segment gross profit	**37,587**	35,017	**39,113**	45,706	**194,185**	132,686	**17,750**	17,180	**288,635**	230,589
Reportable segment operating profit	**19,346**	14,395	**2,394**	15,763	**65,347**	32,985	**249**	726	**87,336**	63,869
Depreciation and amortisation for the period	**184**	71	**18**	8	**5,126**	3,368	**4,909**	2,991	**10,237**	6,438

(b) Reconciliations of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**983,040**	1,014,929
Profit		
Reportable segment operating profit	**87,336**	63,869
Unallocated head office and corporate expenses	**(44,340)**	(28,033)
Other revenue	**4,231**	1,968
Other net income	**4,949**	4,058
Finance costs	**(32,963)**	(16,976)
Consolidated profit before taxation	**19,213**	24,886

14 FIXED ASSETS

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	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 under operating leases RMB'000	Total RMB'000
Cost:										
At 1 January 2010	96,297	28,417	198	11,062	5,541	4,404	35,422	181,341	16,178	197,519
Exchange adjustments	—	—	(6)	(38)	(12)	(52)	—	(108)	—	(108)
Additions	4,088	1,636	387	1,957	1,570	3,179	48,027	60,844	17,528	78,372
Disposals	(2,851)	—	(367)	—	(32)	(701)	—	(3,951)	—	(3,951)
Transfers	46,307	13,699	—	—	—	—	(60,006)	—	—	—
At 31 December 2010	143,841	43,752	212	12,981	7,067	6,830	23,443	238,126	33,706	271,832
Accumulated depreciation and amortisation:										
At 1 January 2010	636	4,978	78	6,430	2,983	2,767	—	17,872	869	18,741
Exchange adjustments	—	—	(3)	(6)	(8)	(28)	—	(45)	—	(45)
Charge for the year	5,209	3,451	40	2,036	769	1,166	—	12,671	360	13,031
Written back on disposal	(649)	—	—	—	(6)	(576)	—	(1,231)	—	(1,231)
At 31 December 2010	5,196	8,429	115	8,460	3,738	3,329	—	29,267	1,229	30,496
Net book value:										
At 31 December 2010	138,645	35,323	97	4,521	3,329	3,501	23,443	208,859	32,477	241,336

14 FIXED ASSETS (Continued)

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	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 under operating leases RMB'000	Total RMB'000
Cost:										
At 1 January 2011	143,841	43,752	212	12,981	7,067	6,830	23,443	238,126	33,706	271,832
Exchange adjustments	—	—	(4)	(26)	(8)	(42)	—	(80)	—	(80)
Additions	3,133	506	—	—	295	25	764	4,723	—	4,723
Disposals	—	—	—	—	(5)	—	—	(5)	—	(5)
Transfers	1,637	—	—	—	—	—	(1,637)	—	—	—
At 30 June 2011	148,611	44,258	208	12,955	7,349	6,813	22,570	242,764	33,706	276,470
Accumulated depreciation and amortisation:										
At 1 January 2011	5,196	8,429	115	8,460	3,738	3,329	—	29,267	1,229	30,496
Exchange adjustments	—	—	(2)	(7)	(6)	(20)	—	(35)	—	(35)
Charge for the period	3,560	2,123	20	1,100	406	577	—	7,786	382	8,168
Written back on disposal	—	—	—	—	(1)	—	—	(1)	—	(1)
At 30 June 2011	8,756	10,552	133	9,553	4,137	3,886	—	37,017	1,611	38,628
Net book value:										
At 30 June 2011	139,855	33,706	75	3,402	3,212	2,927	22,570	205,747	32,095	237,842

(a) Interests in leasehold land held for own use under operating leases represent land use rights under medium-term leases in the PRC. As at 30 June 2011, the remaining periods of the land use rights ranged from 39 to 46 years.

(b) As at 30 June 2011 and 31 December 2010, the Group was applying for certificates of ownership for certain buildings and interests in leasehold land held for own use under operating leases, with net book value of RMB157,126,000 and RM156,136,000 respectively, from the relevant PRC government authorities.

(c) As at 31 December 2010, certain banking facilities of the Group were secured by the Group's buildings, interests in leasehold land held for own use under operating leases, plant and machinery and construction in progress amounting to a total of RMB186,372,000.

15 INTANGIBLE ASSETS

	Trademarks RMB'000	New medicine protection rights RMB'000	GSP licence RMB'000	Exclusive agency rights RMB'000	Club memberships RMB'000	Computer software RMB'000	Total RMB'000
Cost:							
At 1 January 2010	7,283	9,330	7,030	30,000	1,224	3,103	57,970
Exchange adjustments	—	—	—	—	(17)	—	(17)
Additions	—	—	—	—	—	1,680	1,680
At 31 December 2010	7,283	9,330	7,030	30,000	1,207	4,783	59,633
Accumulated amortisation:							
At 1 January 2010	2,912	9,330	—	4,000	—	1,824	18,066
Charge for the year	728	—	—	3,000	—	665	4,393
At 31 December 2010	3,640	9,330	—	7,000	—	2,489	22,459
Net book value:							
At 31 December 2010	3,643	—	7,030	23,000	1,207	2,294	37,174

15 INTANGIBLE ASSETS (Continued)

	Trademarks RMB'000	New medicine protection rights RMB'000	GSP licence RMB'000	Exclusive agency rights RMB'000	Club memberships RMB'000	Computer software RMB'000	Total RMB'000
Cost:							
At 1 January 2011	7,283	9,330	7,030	30,000	1,207	4,783	59,633
Exchange adjustments	—	—	—	—	(9)	—	(9)
Additions	—	—	—	20,000	—	128	20,128
At 30 June 2011	7,283	9,330	7,030	50,000	1,198	4,911	79,752
Accumulated amortisation:							
At 1 January 2011	3,640	9,330	—	7,000	—	2,489	22,459
Charge for the period	364	—	—	3,167	—	267	3,798
At 30 June 2011	4,004	9,330	—	10,167	—	2,756	26,257
Net book value:							
At 30 June 2011	3,279	—	7,030	39,833	1,198	2,155	53,495

(a) The Group reassessed the useful life of the GSP licence as at 30 June 2011 and 31 December 2010 and reached a conclusion that the GSP licence continued to be regarded as having an indefinite useful life.

The Group has performed annual impairment tests for the GSP licence by comparing the recoverable amount of the cash-generating unit ("CGU") to which it belongs to its carrying amount and concluded that there is no impairment as at 30 June 2011 and 31 December 2010. The recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on a five-year financial budget approved by management and the directors. Discount rates of 13.9% and 14.2% have been used in discounting the projected cash flows for the impairment tests as at 30 June 2011 and 31 December 2010 respectively.

(b) Club memberships represent the rights granted to use the club facilities over an indefinite period of time, and therefore, the useful life is indefinite. Accordingly, no amortisation has been charged to profit or loss during the six months ended 30 June 2011 and 2010.

(c) The amortisation charges during the six months ended 30 June 2011 and 2010 are included in "selling and distribution expenses" and "administrative expenses" in the consolidated income statement.

16 GOODWILL

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cost and carrying amount:		
At 1 January and 30 June/31 December	**1,250**	1,250

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
NT Tongzhou (BJ) Pharma Co., Ltd.	**769**	769
NT Tongzhou Pharma (SH) Co., Ltd.	**481**	481
	1,250	1,250

The Group has performed annual impairment tests for goodwill by comparing the recoverable amounts of the CGUs containing goodwill to the carrying amounts as at 30 June 2011 and 31 December 2010. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management and the directors covering a five-year period and on the following principal assumptions:

	At 30 June 2011 %	At 31 December 2010 %
NT Tongzhou (BJ) Pharma Co., Ltd.		
– Gross margin	**42.0 - 42.9**	42.0 - 42.9
– Growth rate	**7.8 - 14.9**	11.8 - 32.4
– Discount rate	**13.9**	14.2
NT Tongzhou Pharma (SH) Co., Ltd.		
– Gross margin	**16.1 - 17.0**	12.6 - 17.0
– Growth rate	**16.1 - 25.1**	14.4 - 18.1
– Discount rate	**13.9**	14.2

The recoverable amounts of the respective CGUs exceeded their carrying amounts and the directors considered that there was no impairment of goodwill as at 30 June 2011 and 31 December 2010.

(Expressed in Renminbi unless otherwise indicated)

17 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**9,175**	7,397
Work in progress	**1,275**	1,502
Finished goods	**557,672**	518,100
Low value consumables	**47**	55
	568,169	527,054

As at 30 June 2011, certain banking facilities of the Group were secured by the Group's inventories amounting to RMB50,317,000 (31 December 2010: RMB52,971,000) (see note 22).

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	**680,894**	775,080
Write-down of inventories	**1,765**	1,161
	682,659	776,241

18 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade debtors and bills receivable	**1,617,059**	1,579,305
Less: allowance for doubtful debts (note 18(b))	**(14,983)**	(12,595)
	1,602,076	1,566,710
Deposits, prepayments and other receivables	**196,377**	170,837
Amount due from a related company	**—**	52
Amount due from a director	**603**	614
	1,799,056	1,738,213

As at 30 June 2011, the Group's deposits, prepayments and other receivables expected to be recovered or recognised as expenses after more than one year totalled RMB896,000 (31 December 2010: RMB960,000). All of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

As at 30 June 2011, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to RMB228,692,000 (31 December 2010: RMB366,694,000) (see note 22).

(a) Ageing analysis

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 date of invoice, as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	**734,816**	886,616
More than 3 months but within 6 months	**181,742**	319,321
More than 6 months but within 1 year	**492,893**	149,300
More than 1 year but within 2 years	**185,280**	207,109
More than 2 years	**7,345**	4,364
	1,602,076	1,566,710

Trade debtors are due within 30 to 240 days from the date of billing. Further details of the Group's credit policy are set out in note 27(a).

Notes to the Consolidated Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are 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 trade debtors and bills receivable directly (see note 3(i)(i)).

The movement in the allowance for doubtful debts during the period/year, including both specific and collective loss components, is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At 1 January	**12,595**	13,268
Impairment loss recognised during the period/year	**3,557**	3,109
Uncollectible amount written off	**(1,169)**	(3,782)
At 30 June/31 December	**14,983**	12,595

At 30 June 2011, the Group's trade debtors and bills receivable of RMB28,824,000 (31 December 2010: RMB17,541,000) were individually determined to be impaired. The individually impaired receivables related to customers for which management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowance for doubtful debts of RMB14,983,000 (31 December 2010: RMB12,595,000) was recognised as at 30 June 2011. The Group does not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Neither past due nor impaired	**703,226**	918,233
Less than 3 months past due	**336,016**	298,448
More than 3 months but less than 6 months past due	**272,253**	87,997
More than 6 months but less than 1 year past due	**159,283**	214,658
Over 1 year past due	**117,457**	42,428
	885,009	643,531
	1,588,235	1,561,764

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The directors have evaluated the status of all material trade receivables of the Group which are past due but not impaired and the financial position and creditworthiness of such debtors, and they consider that there are no indications of any deterioration in the creditworthiness of the debtors or disputes with the debtors which may lead to non-payment of the outstanding trade receivables. The Group has also agreed with a majority of the debtors, which have debts aged over one year as at 30 June 2011, schedules of repayment of the outstanding debts. Based on the above, the directors are of the view that all the trade receivables which are past due but not impaired are recoverable and no impairment loss on such receivables is required. The Group does not hold any collateral over these balances.

19 PLEDGED BANK DEPOSITS

The deposits were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB176,159,000 (31 December 2010: RMB163,712,000) as at 30 June 2011 (see note 22).

Notes to the Consolidated Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 CASH AT BANK AND IN HAND

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**784,152**	154,913
Bank overdrafts (note 22)	**—**	(5,103)
Cash and cash equivalents in the consolidated cash flow statement	**784,152**	149,810

As at 30 June 2011, cash and bank balances placed with banks in the PRC amounted to RMB145,259,000 (31 December 2010: RMB149,785,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

21 TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade creditors and bills payable	**742,906**	781,891
Other payables and accrued charges	**104,355**	121,194
Construction payables	**7,603**	18,724
Receipts in advance	**9,146**	13,786
Amounts due to related companies	**5,220**	422,675
	869,230	1,358,270

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

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months or on demand	**444,630**	481,471
More than 3 months but within 6 months	**77,974**	224,312
More than 6 months but within 1 year	**165,725**	6,332
More than 1 year	**54,577**	69,776
	742,906	781,891

22 BANK LOANS AND OVERDRAFTS

As at 30 June 2011, the bank loans and overdrafts were repayable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year or on demand	**774,577**	833,687

As at 30 June 2011, the bank loans and overdrafts were secured as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank overdrafts (note 20)		
– Unsecured	**—**	5,103
Bank loans		
– Secured	**178,255**	310,579
– Unsecured	**596,322**	518,005
	774,577	828,584
	774,577	833,687

At 30 June 2011, the banking facilities of the Group amounting to RMB682,096,000 (31 December 2010: RMB646,380,000), which were utilised to the extent of RMB178,255,000 (31 December 2010: RMB310,579,000), were secured by certain assets of the Group as set out below:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Fixed assets	**—**	186,372
Inventories	**50,317**	52,971
Trade and other receivables	**228,692**	366,694
Pledged bank deposits	**41,156**	25,189
	320,165	631,226

22 BANK LOANS AND OVERDRAFTS (Continued)

At 30 June 2011, certain banking facilities of the Group amounting to RMB885,000,000 were secured by a corporate guarantee given by NT Pharma (Holdings) Company Limited ("NT Holdings"), the immediate holding company of the Group prior to the Reorganisation and a guarantee given by a company controlled by the PRC government.

At 31 December 2010, certain banking facilities of the Group amounting to RMB587,776,000 were secured by a joint and several personal guarantee given by the directors of the Group, a corporate guarantee given by NT Holdings, a guarantee given by a company controlled by the PRC government and a guarantee given by the Government of the Hong Kong Special Administrative Region.

Certain of the Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

As at 31 December 2010, covenants in relation to the interest coverage ratios of the Group and a subsidiary in respect of bank loans with carrying value of RMB28,116,000 had been breached. The creditor banks had the right to demand immediate repayment of the loans as a result of a breach of covenants. On 29 March 2011, the creditor banks granted the Group waivers from complying with the aforesaid financial covenants.

Details of the Group's interest rate risk are set out in note 27(c).

23 OTHER LOAN

Other loan as at 31 December 2010 represented a loan from an entity controlled by the PRC government and was unsecured and interest-bearing at 4.86% per annum. The loan was settled on 17 January 2011.

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Provision for Hong Kong Profits Tax	**15,868**	7,217
Provision for PRC income tax	**26,824**	44,724
	42,692	51,941

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period/year are as follows:

	Revaluation of assets arising from acquisition of business RMB'000	**Provisions and impairment** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2010	2,740	(4,547)	—	(1,807)
Credited to profit or loss	(79)	(1,372)	—	(1,451)
At 31 December 2010	2,661	(5,919)	—	(3,258)
At 1 January 2011	**2,661**	**(5,919)**	**—**	**(3,258)**
Credited to profit or loss	**(87)**	**(750)**	**(12,839)**	**(13,676)**
At 30 June 2011	**2,574**	**(6,669)**	**(12,839)**	**(16,934)**

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

Reconciliation to the consolidated balance sheet

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Net deferred tax assets recognised in the consolidated balance sheet	**(17,519)**	(5,919)
Net deferred tax liabilities recognised in the consolidated balance sheet	**585**	2,661
	(16,934)	(3,258)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(p), the Group did not recognise deferred tax assets in respect of unused tax losses of RMB34,819,000 (31 December 2010: RMB33,363,000) as at 30 June 2011. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 30 June 2011, tax losses of RMB829,000, RMB6,508,000, RMB3,910,000, RMB18,967,000 and RMB3,736,000 will expire in 2012, 2013, 2014, 2015 and 2016 respectively, while the remaining tax losses of RMB869,000 do not expire under the current tax legislation.

(d) Deferred tax liabilities not recognised

No deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have been provided as the Group controls the dividend policy of these subsidiaries and has no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

As at 30 June 2011, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group did not provide for dividend withholding tax were approximately RMB358,830,000 (31 December 2010: RMB389,718,000).

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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 has 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. As the modification did not result in a material change in the value of the outstanding options at the date of modification, the modification had no impact on the profit or loss of the Group.

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25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants (after modification) are as follows:

Options granted to directors	Number of instruments	Vesting conditions	Contractual life of options
On 1 March 2010	800,000	One year from the date of grant	10 years
On 1 March 2010	800,000	Two years from the date of grant	10 years
On 1 March 2010	800,000	Three years from the date of grant	10 years
On 1 July 2010	1,075,775	One year from the date of grant	10 years
On 1 July 2010	1,075,775	Two years from the date of grant	10 years
On 1 July 2010	1,075,775	Three years from the date of grant	10 years
	5,627,325		
Options granted to employees			
On 18 September 2009	9,667,972	One year from the date of grant	10 years
On 18 September 2009	9,667,972	Two years from the date of grant	10 years
On 18 September 2009	9,667,971	Three years from the date of grant	10 years
On 28 January 2010	3,791,322	One year from the date of grant	10 years
On 28 January 2010	3,791,322	Two years from the date of grant	10 years
On 28 January 2010	3,791,322	Three years from the date of grant	10 years
On 1 March 2010	33,334	One year from the date of grant	10 years
On 1 March 2010	33,333	Two years from the date of grant	10 years
On 1 March 2010	33,333	Three years from the date of grant	10 years
On 1 July 2010	507,559	One year from the date of grant	10 years
On 1 July 2010	507,558	Two years from the date of grant	10 years
On 1 July 2010	507,558	Three years from the date of grant	10 years
On 1 September 2010	266,667	One year from the date of grant	10 years
On 1 September 2010	266,667	Two years from the date of grant	10 years
On 1 September 2010	266,666	Three years from the date of grant	10 years
On 1 November 2010	333,334	One year from the date of grant	10 years
On 1 November 2010	333,333	Two years from the date of grant	10 years
On 1 November 2010	333,333	Three years from the date of grant	10 years
On 17 December 2010	200,000	One year from the date of grant	10 years
On 17 December 2010	200,000	Two years from the date of grant	10 years
On 17 December 2010	200,000	Three years from the date of grant	10 years
	44,400,556		
	50,027,881		

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2011		Year ended 31 December 2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	**US$0.20**	**44,957,195**	US$0.20	29,003,915
Granted during the period/year	**—**	**—**	US$0.20	21,023,966
Forfeited during the period/year	**US$0.20**	**(552,445)**	US$0.20	(5,070,686)
Outstanding at the end of the period/year	**US$0.20**	**44,404,750**	US$0.20	44,957,195
Exercisable at the end of the period/year	**US$0.20**	**12,751,585**	US$0.20	8,206,171

No share options were exercised during the periods presented.

The share options outstanding at 30 June 2011 had a weighted average remaining contractual life of 8.5 years (31 December 2010: 9.0 years).

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(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 18 September 2009	Options granted on 28 January 2010	Options granted on 1 March 2010	Options granted on 1 July 2010	Options granted on 1 September 2010	Options granted on 1 November 2010	Options granted on 17 December 2010
Fair value at measurement date	US$0.14	US$0.16	US$0.14	US$0.22	US$0.22	US$0.16	US$0.18
Share price	US$0.24	US$0.28	US$0.24	US$0.34	US$0.34	US$0.34	US$0.34
Exercise price	US$0.2	US$0.20	US$0.20	US$0.20	US$0.20	US$0.20	70% of the Offer Price
Expected volatility	58.46%	58.23%	58.00%	59.51%	58.94%	53.10%	57.19%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	4.297%	4.378%	4.293%	4.072%	3.415%	3.241%	3.858%

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.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividend

No dividend was declared or paid by the Company during the six months ended 30 June 2011.

(b) Share capital

A summary of movements in the Company's issued share capital during the six months ended 30 June 2011 and year ended 31 December 2010 are as follows:

	30 June 2011		31 December 2010	
	No of shares '000	**RMB'000**	No of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January (note (i))	**—**	**—**	—	—
Shares issued under the Reorganisation (note (iii))	**811,438**	**1**	—	—
Shares issued under placing and public offering (note (iv))	**270,479**	**—**	—	—
At 30 June/31 December	**1,081,917**	**1**	—	—

Notes:

(i) The Company was incorporated on 1 March 2010 with an authorised share capital of US$50,100 divided into 626,250,000,000 shares of US$0.00000008 each and one share was issued at par upon incorporation.

(ii) Pursuant to a shareholders' resolution of NT Holdings on 8 April 2011, 7 new shares of NT Pharma (Group) Co., Ltd. ("NT Group"), the then holding company of the Group, were issued and allotted to NT Holdings in consideration for the capitalisation of the amount due to NT Holdings of RMB383,378,000. At such time, NT Group had an issued share capital of 9 shares of US$1 each, all of which were held by NT Holdings.

(iii) On 8 April 2011, as part of the Reorganisation, NT Holdings transferred all of the shares it owned in NT Group to the Company. In return, the Company allotted and issued 811,437,499 fully paid new shares of nominal value US$0.00000008 each to NT Holdings. At this time, the Company had an issued share capital of 811,437,500 shares, all of which were held by NT Holdings. The difference between the historical carrying value of NT Holdings' investment in NT Group and the nominal value of the shares of the Company issued in exchange thereof were credited to the other reserve (note 26(c)(v)).

(iv) On 20 April 2011, the Company issued 270,479,000 shares with a nominal value of US$0.00000008, at a price of HK$4.54 per share upon listing of the shares of the Company on the Stock Exchange by way of placing and public offering. Net proceeds from such share issuance amounted to RMB933,786,000 (after offsetting listing expenses of RMB87,398,000).

(v) As at 30 June 2011, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Nature and purpose of 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 the 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 3(s).

(iii) Statutory reserve

Pursuant to applicable 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.

(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 other reserve arose from the transfer of the entire equity interest in NT Group from NT Holdings to the Company as a result of the Reorganisation and represents the difference between the historical carrying value of NT Holdings' investment in NT Group and the nominal value of the shares of the Company issued in exchange thereof.

(vi) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments as set out in note 3(o)(ii).

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Distributability of reserve

At 30 June 2011, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB914,039,000.

(e) 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 shareholder 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 position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total borrowings over its total assets, at 30 June 2011 and 31 December 2010 was 21.9% and 30.5% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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 management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's 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 30 to 240 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

At 30 June 2011, the Group has a certain concentration of credit risk as 4.6% (31 December 2010: 5.0%) of the total trade receivables were due from the Group's largest customer, and 15.6% (31 December 2010: 13.8%) of the total trade receivables were due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(ii) Cash at banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All non-interest bearing financial liabilities of the Group are carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the balance sheet date. Other loan was repayable within one year of the balance sheet date.

The following table details the remaining scheduled maturities at the balance sheet date of the Group's bank loans if the bank loans are to be repaid over the agreed repayment schedules, which are based on scheduled undiscounted cashflows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date):

	30 June 2011 Scheduled undiscounted cash outflow					31 December 2010 Scheduled undiscounted cash outflow				
	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 5 years RMB'000	Total RMB'000	Carrying amount in the balance sheet RMB'000	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 5 years RMB'000	Total RMB'000	Carrying amount in the balance sheet RMB'000
Bank loans	795,395	—	—	795,395	774,577	838,689	3,266	7,528	849,483	828,584

Bank loans scheduled to be repaid after one year from the balance sheet date were classified as current liabilities in the balance sheet as they were repayable on demand.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, other loan and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net interest-bearing liabilities (being interest-bearing financial liabilities less pledged bank deposits and cash at bank and in hand) at the balance sheet date:

	30 June 2011		31 December 2010	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Net fixed rate borrowings:				
Bank loans	2.14% to 8.01%	573,577	2.05% to 6.12%	690,914
Other loan	—	—	4.86%	6,500
		573,577		697,414
Less: Pledged bank deposits	0.75% to 3.05%	(29,428)	0.75% to 2.22%	(36,845)
Cash at bank and in hand	0.43% to 2.85%	(287,434)	—	—
		256,715		660,569
Net variable rate deposits:				
Bank loans and bank overdrafts	5.04% to 6.90%	201,000	2.11% to 6.39%	142,773
Less: Pledged bank deposits	0.10% to 0.50%	(41,407)	0.01% to 1.91%	(10,235)
Cash at bank and in hand	0.01% to 0.50%	(496,718)	0.01% to 0.36%	(154,913)
		(337,125)		(22,375)
Total net interest-bearing (assets)/liabilities		(80,410)		638,194

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately RMB632,000 (31 December 2010: RMB42,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value. This analysis has been performed on the same basis for 2010.

(d) 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 United States dollars ("USD") and Great Britain Pounds ("GBP"). In addition, certain bank loans are also denominated in USD. 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 major exposure at the balance sheet date 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 Renminbi, translated using the spot rate at balance sheet 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 Renminbi)			
	30 June 2011		31 December 2010	
	USD	**GBP**	USD	GBP
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**42,424**	**—**	—	—
Pledged bank deposits	**6,693**	**—**	25,119	—
Cash at bank and in hand	**17,524**	**—**	5,199	—
Trade and other payables	**(104,695)**	**(70,402)**	(22,746)	(69,557)
Bank loans	**(24,485)**	**—**	(72,706)	—
	(62,539)	**(70,402)**	(65,134)	(69,557)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) that would have arisen if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	30 June 2011		31 December 2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits RMB'000
USD	**5%**	**(2,345)**	5%	(2,443)
	(5)%	**2,345**	(5)%	2,443
GBP	**5%**	**(2,640)**	5%	(2,608)
	(5)%	**2,640**	(5)%	2,608

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the balance sheet date. 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 2010.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011 and 31 December 2010.

28 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2011 not provided for in the consolidated interim financial statements were as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for	**10,337**	10,883

(b) At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**5,517**	6,369
After 1 year but within 5 years	**2,423**	3,340
	7,940	9,709

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

29 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011, transactions with the following parties are considered to be related party transactions:

Name of related party	**Relationship with the Group**
Mr. Ng Tit and Ms. Chin Yu	Directors of the Company
NT Pharma (Holdings) Company Limited ("NT Holdings")	Holding company of the Group prior to the Reorganisation
Suzhou Pharmaceutical (Group) Co., Ltd. （蘇州醫藥（集團）有限公司）(Note)	Minority shareholder of Suzhou First Pharmaceutical Co., Ltd.
Suzhou No. 4 Pharmaceutical Factory （蘇州第四製藥有限公司）(Note)	Controlled by Suzhou Pharmaceutical (Group) Co., Ltd.

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

(Expressed in Renminbi unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

The Group has entered into the following material related party transactions during the period:

(a) Transactions with related parties

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Purchases of goods from Suzhou No. 4 Pharmaceutical Factory	**5,216**	5,605

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**5,025**	4,894
Equity-settled share-based payment expenses	**6,054**	6,486
	11,079	11,380

Total remuneration is disclosed in "staff costs" (see note 8(b)).

29 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

At 30 June 2011, the Group had the following balances with related parties:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Amount due from a related company		
– NT Holdings	—	52
Amount due from a director	603	614
Amounts due to related companies		
– NT Holdings	—	415,955
– Suzhou No. 4 Pharmaceutical Factory	5,220	6,720
	5,220	422,675

Except for the amount due to Suzhou No.4 Pharmaceutical Factory, the balances with the related parties and a director are unsecured, interest free and repayable on demand.

The amount due to Suzhou No. 4 Pharmaceutical Factory represents payables for purchases of raw materials and has a credit term of 60 days from the date of billing.

Amount due to NT Holdings represented cash advances to the Group to finance the Group's operations. The net balances of amounts due to/from NT Holdings were capitalised as part of the Reorganisation.

(d) Personal guarantees provided to the Group in respect of banking facilities

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Mr. Ng Tit and Ms. Chin Yu	—	317,775

(e) Corporate guarantee provided to the Group in respect of banking facilities

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
NT Holdings	135,000	242,775

30 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 3. Notes 15, 16 and 25 contain information about the assumptions and their risk factors relating to impairment of intangible assets and goodwill and the valuation of share options granted. Other key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, sales revenue and amount of operating costs.

(b) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Impairment of bad and doubtful debts

The Group evaluates whether there is any objective evidence that trade debtors are impaired as a result of inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade debtors balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(Expressed in Renminbi unless otherwise indicated)

30 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) 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. Management reassesses these estimates at each balance sheet date.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences only to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. As a result, management's judgement is required to assess the probability of future taxable profits. Management reassesses these estimates at each balance sheet date. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2011, and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 12, *Income taxes*	1 January 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKAS 27 (2011), *Separate financial statements*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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 has granted 44,957,195 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. Up to 30 June 2011, no further option has been granted pursuant to the Pre-IPO Share Option Scheme. A summary of principle terms and conditions of Pre-IPO Share Option Scheme is set out in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII of the Prospectus of our Company. A total number of 552,445 options were forfeited during the six months ended 30 June 2011.

As at 30 June 2011, options to subscribe for an aggregate of 44,404,750 shares of the Company were outstanding and these options relate to the options granted to one director and employees.

1) Directors of the Company

	Date of grant	Option Period	Exercise price	Number of share option: Balance as at 1/1/2011	Exercised during the period	Lapsed/ cancelled during the period	Balance as at 30/6/2011	Percentage to the issued share capital
Director	1/3/2010	1/3/2010 – 1/3/2020	US$0.20	2,400,000	—	—	2,400,000 (note 1)	0.22%
	1/7/2010	1/7/2010 – 1/7/2020	US$0.20	3,227,325	—	—	3,227,325 (note 2)	0.30%

Note:

1) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/3/2011, 1/3/2012 and 1/3/2013, respectively.

2) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/7/2011, 1/7/2012 and 1/7/2013, respectively.

Details of the options granted to the Director are set out in the section headed "Directors' Interests in Securities".

2) Employees of the Company working under continuous contracts other than the Directors

	Date of grant	Option Period	Exercise price	Number of share option: Balance as at 1/1/2011	Exercised during the period	Forfeited during the period	Balance as at 30/6/2011	Percentage to the issued share capital
Employees	18/9/2009	18/9/2009-18/9/2019	US$0.20	24,618,525	—	452,445	24,166,080 (note 1)	2.20%
	28/1/2010	28/1/2010-28/1/2020	US$0.20	10,688,670	—	100,000	10,588,670 (note 2)	0.98%
	1/3/2010	1/3/2010-1/3/2020	US$0.20	100,000	—	—	100,000 (note 3)	0.01%
	1/7/2010	1/7/2010-1/7/2020	US$0.20	1,522,675	—	—	1,522,675 (note 4)	0.14%
	1/9/2010	1/9/2010-1/9/2020	US$0.20	800,000	—	—	800,000 (note 5)	0.07%
	1/11/2010	1/11/2010-1/11/2020	US$0.20	1,000,000	—	—	1,000,000 (note 6)	0.09%
	17/12/2010	17/12/2010-17/12/2020	HK$3.178 (note 8)	600,000	—	—	600,000 (note 7)	0.06%

Note:

1) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 18/9/2010, 18/9/2011 and 18/9/2012 respectively.

2) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 28/1/2011, 28/1/2012 and 28/1/2013 respectively.

3) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/3/2011, 1/3/2012 and 1/3/2013 respectively.

4) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/7/2011, 1/7/2012 and 1/7/2013 respectively.

5) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/9/2011, 1/9/2012 and 1/9/2013 respectively.

6) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/11/2011, 1/11/2012 and 1/11/2013 respectively.

7) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 17/12/2011, 17/12/2012 and 17/12/2013 respectively.

8) The exercise price of the options is 70% of the Company's offer price at the IPO.

Directors' Interests in Securities

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors and their respective associates in shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as at 30 June 2011 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1) Long position in the shares in the Company

	Number of shares of the Company				
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Percentage to the issued share capital (approximately)**
Ng Tit	500,000 (note 1)	—	505,062,500 (note 3)	—	46.73%
Chin Yu	500,000 (note 2)	—	505,062,500 (note 4)	—	46.73%

Note:

1) Jointly owned by Mr. Ng Tit and Ms. Chin Yu.

2) Jointly owned by Mr. Ng Tit and Ms. Chin Yu.

3) An aggregate of 505,062,500 Shares is beneficially owned by Golden Base. Mr. Ng Tit and his wife, Ms. Chin Yu, are the controlling shareholders of Golden Base.

4) An aggregate of 505,062,500 Shares is beneficially owned by Golden Base. Ms. Chin Yu and her husband, Mr. Ng Tit, are the controlling shareholders of Golden Base.

2) Long position in underlying Shares – share options

Pursuant to the Pre-IPO Share Option Scheme, one Director was granted share options to subscribe for the shares of the Company, details of which as at 30 June 2011 were as follows:

Name of Director	Date of grant	Option period	Exercise price	Number of share option: Balance as at 1/1/2011	Exercised during the period	Lapsed/ cancelled during the period	Balance as at 30/6/2011	Percentage to the issued share capital
Ng Yuk Keung	1/3/2010	1/3/2010 – 1/3/2020	US$0.20	2,400,000	—	—	2,400,000 (note 1)	0.22%
	1/7/2010	1/7/2010 – 1/7/2020	US$0.20	3,227,325	—	—	3,227,325 (note 2)	0.30%

Note:

1) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/3/2011, 1/3/2012 and 1/3/2013, respectively.

2) The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/7/2011, 1/7/2012 and 1/7/2013, respectively.

Save as disclosed above, no interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares, the underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Substantial Shareholders

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

As at 30 June 2011 so far as are known to the Directors, the following parties (other than the Directors and chief executive of our Company) had notified our Company of interests or short positions in the shares or underlying shares of our Company as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO as follows:

Name	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Golden Base	Beneficial owner	505,062,500 (long position)	46.68%
Bonderman David	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
Coulter James G.	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
TPG Group Holdings (SBS) Advisors, Inc.	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
TPG Group Holdings (SBS), L.P.	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
TPG Holdings I, L.P.	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
TPG Holdings I-A, LLC	Deemed interest, interest of controlled company	219,822,000 (long position)	20.32%
TPG Star GenPar Advisors, LLC.	Deemed interest, interest of controlled company	146,549,000 (long position)	13.55%
TPG Star GenPar. L.P.	Deemed interest, interest of controlled company	146,549,000 (long position)	13.55%
TPG Star Jaguar Ltd.	Beneficial owner	146,549,000 (long position)	13.55%
TPG Star. L.P.	Deemed interest, interest of controlled company	146,549,000 (long position)	13.55%
TPG Biotech III Jaguar Ltd.	Beneficial owner	73,273,000 (long position)	6.77%
TPG Biotechnology GenPar III Advisors, LLC	Deemed interest, interest of controlled company	73,273,000 (long position)	6.77%
TPG Biotechnology GenPar III,L.P.	Deemed interest, interest of controlled company	73,273,000 (long position)	6.77%
TPG Biotechnology Partners III,L.P.	Deemed interest, interest of controlled company	73,273,000 (long position)	6.77%

Save as disclosed above, as at 30 June 2011, our Company were not aware of any person (other than the Directors and chief executive of our Company) who had an interest or a short position in the Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2011.

Corporate Governance

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance and has complied with all the code provisions and has met most of the recommended best practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the"Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the interim report of the Company for the six months ended 30 June 2011 (the "2011 Interim Report") except for the deviation from the Code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separated. The chairman and the chief executive officer of our Company is Mr. Ng Tit. Nevertheless, the Board considers that this structure will not impair the balance of power and the authority of the Board.

The Board currently comprises two executive directors, three non-executive directors and three independent non-executive directors, with independent non-executive directors representing approximately 37.5% of the Board, which is higher than the Recommended Best Practices of the Code under the Listing Rules. Such a high percentage of independent non-executive directors on the Board can ensure their views carry significant weight and reflect the independence of the Board. Mr. Ng is the main founder of our Group and he is responsible for the overall strategic planning and management of our Group. He has played an important role during our expansion. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 15 years. At present, the Board believes that it is beneficial to the management and development of our 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct since the listing of the Company on the Stock Exchange on 20 April 2011 and up to 30 June 2011.

AUDIT COMMITTEE REVIEW

The audit committee of our Company currently comprises Mr. Patrick Sun, Mr. Yue Nien Martin Tang and Dr. Lap-Chee Tsui, who are all independent non-executive directors of our Company. The audit committee has reviewed the audited interim financial report of our Group for the six months ended 30 June 2011. The audit committee has also discussed matters such as the accounting policies and practices adopted by our Group and internal control with the senior management of our Company.

Definitions of Terms

"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and the "PRC" do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"Company"	China NT Pharma Group Company Limited（中國泰凌醫藥集團有限公司）, an exempted company with limited liability under the laws of the Cayman Islands incorporated on 1 March 2010
"Director(s)"	the director(s) of our Company
"Fudan-Zhangjiang"	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.（上海復旦張江生物醫藥股份有限公司）, a pharmaceutical company incorporated in China, and an independent third party. Fudan-Zhangjiang is the manufacturer of Libod
"Group"	Our Company and our subsidiaries
"Golden Base"	Golden Base Investment Limited, a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding
"GSK"	GlaxoSmithKline Plc, a pharmaceutical, biological, and healthcare company incorporated in the United Kingdom, and an independent third party
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Hualan"	Hualan Biological Bacterin Co., Ltd., a privately owned pharmaceutical and blood products company incorporated in China, and an independent third party
"Novartis"	Novartis AG, a global healthcare company incorporated in Switzerland and an independent third party
"Pfizer"	Pfizer Inc., a pharmaceutical company incorporated in the United States, and an independent third party which was formed as the result of the merger between Pfizer Inc. and Wyeth Inc.
"Pre-IPO Share Option Scheme"	our pre-IPO share option scheme conditionally adopted pursuant to a resolution of our directors and shareholders on 7 April 2011, the principal terms of which are summarized in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII of the Prospectus
"Prospectus"	the prospectus of our Company dated 8 April 2011
"Sanofi Pasteur"	Sanofi Pasteur S.A, a vaccine and healthcare company incorporated in France, and an independent third party. It is a subsidiary of Sanofi-Aventis S.A.

Financial Calendar and Information for Investors

Principal Place of Business in Hong Kong

Unit 2301-03, 23/F Henley Building
5 Queen's Road Central
Hong Kong

Principal Place of Business and Headquarter in China

10th Floor Asia-Pacific Enterprise Building
No. 333 Zhaojiabang Road
Shanghai
The People's Republic of China

Registered Office

Cricket Square, Hutchins Drive
PO BOX 2681
Grand Cayman, KY 1-1111
Cayman Islands

Hong Kong Share registrar

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
www.hk.tricorglobal.com

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Stock Codes

SEHK	1011
Bloomberg	1011:HK
Reuters	1011.HK

Investor Relations

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Financial Calendar 2011

Interim results announcement	17 August 2011
Interim report sent to shareholders	5 September 2011
Annual results announcement	March 2012
Annual General Meeting	May 2012

Request for Feedback

In order that we may improve our reporting, we would be grateful to receive your comments on our public announcements and disclosures via email to ir@ntpharma.com

Interim report

Printed in English and Chinese, available on our website at www.ntpharma.com by 2 September 2011.

Those shareholders who received interim report electronically and would like to receive a printed copy or vice versa are requested to write to the Company Secretary or the Company's Hong Kong Share Registrar.

Shareholders may at any time change their choice of the language or means of receipt of the Company's corporate communications, free of charge, by notice in writing to the Company Secretary or the Company's Hong Kong Share Registrar.