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

Stock Code: 01011

Annual Report **2011**

Realignment of business
to gear for a **Better Growth**

Contents

Board of Directors and Committees

BOARD OF DIRECTORS

Executive Directors	Mr. NG Tit *(Chairman and Chief Executive Officer)* Mr. NG Yuk Keung *(Chief Financial Officer)*
Non-Executive Directors	Ms. CHIN Yu Dr. QIAN Wei Mr. Stephen Cheuk Kin LAW
Independent Non-Executive Directors	Mr. Patrick SUN Mr. Yue Nien Martin TANG Dr. Lap-Chee TSUI

COMMITTEES

Audit Committee	Mr. Patrick SUN * Mr. Yue Nien Martin TANG Dr. Lap-Chee TSUI
Remuneration Committee	Mr. Yue Nien Martin TANG * Mr. Patrick SUN Mr. NG Tit
Nomination Committee	Mr. NG Tit * Mr. Patrick SUN Mr. Yue Nien Martin TANG

**Committee Chairman*

COMPANY SECRETARY

Mr. Ng Yuk Keung *(CPA, 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 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

3-5/F, Urban City Center,
45 Nanchang Road, Shanghai, PRC

REGISTERED OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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Cayman Islands

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
Taizhou City, Jiangsu, PRC

Corporate Profile

China NT Pharma Group Company Limited ("NT Pharma") is a leading third party pharmaceutical and vaccine promotion and sales services provider in China. Our Group's history dates back to 1995 and our Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on 20 April 2011. NT Pharma has a large third party promotion network in China covering over 3,800 hospitals and over 35,000 physicians. The Group produces NT branded products through its wholly owned subsidiary, Suzhou First which is GMP-certified and had obtained approvals from the SFDA for 175 drugs licenses to manufacture and sell pharmaceutical products.

Financial Highlights

RMB million	FY2011	FY2010	Change
Turnover	**2,758**	2,668	+3.4%
Gross profit	**891**	663	+34.4%
GP margin %	**32.3%**	24.9%	
Operating profit ("OP")	**366**	256	+43.1%
OP margin %	**13.3%**	9.6%	
Profit attributable to equity shareholders	**234**	129	+82.2%
Profit attributable to equity shareholders excluding IPO expenses and share-based compensation expenses arising from share options granted*	**256**	166	+54.4%
Earnings per share (RMB cents)			
Basic	**23.41**	15.85	+47.7%
Diluted	**23.22**	15.77	+47.2%
Net asset value per share (RMB)	**1.9**	0.5	
Current Ratio (times)	**2.1**	1.1	
Gearing Ratio (%)	**14.7**	30.5	

** Remark:*

IPO expenses and share-based compensation expenses arising from share options granted amounted to RMB9.9 million (2010: RMB12.3 million) and RMB11.5 million (2010: RMB24.8 million) respectively.

Chairman's Statement

I am pleased to present the solid performance of China NT Pharma Group Company Limited ("NT Pharma" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

I am delighted to report that we successfully achieved the internal sales and earnings target that we set for the year, and maximized shareholders' value. The full year results of the year are presented in the following.

RESULTS

Total turnover of the Group for the year was RMB2,758.1 million, an increase of 3.4% from last year's RMB2,668.0 million. Turnover of pharmaceutical promotion and sales made up 41.3% of the Group's total, up from last year's 28.7%. Vaccine promotion and sales generated 25.0% of the Group's turnover, up from last year's 13.4%. Contribution from vaccine supply chain business was 21.0%, down from last year's 43.8%, due to our decision to exit from this business. The remainder was contributed by the NT branded products production and sales and sales of other pharmaceutical products.

With an increasing focus on the promotion and sales businesses, overall profitability of the Group was enhanced, though operating expenses also increased 30.9% from last year's RMB444.5 million to RMB581.9 million. Gross profit of the Group grew by 34.3% to RMB890.6 million, compared to last year's RMB663.2 million; gross profit margin strengthened from last year's 24.9% to 32.3%.

Net profit attributable to equity shareholders was RMB234.4 million, an increase of 82.3% compared to last year's RMB128.6 million. Net profit margin of the Group strengthened from last year's 4.8% to 8.5%. Excluding IPO expenses and share-based compensation expenses arising from share options granted amounted to RMB21.4 million, net profit attributable to equity shareholders was RMB255.8 million for the year versus last year's RMB165.7 million. Earnings per share were RMB23.41 cents, an increase of 47.7% from last year's RMB15.85 cents.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2011.

The Group realigned its businesses in 2011 to enhance its competitiveness and with various new initiatives of development are well in place; the Board of Directors believes that more resources should be retained for the further development of the Group to gear for a higher growth and thus bring a better returns to shareholders in the near future.

BUSINESS REVIEW

Pharmaceutical Promotion and Sales Business

Turnover of pharmaceutical promotion and sales was RMB1,140.1 million for the year, an increase of 48.8% compared to last year's RMB766.4 million (restated as a result of the separate presentation of the "NT Branded Products Production and Sales Business" segment starting from 2011). Segment profit posted a strong growth of 103.5% from last year's RMB156.0 million (restated) to RMB317.5 million for the year, which accounted for 72.4% of the Group's total operating profit, thanks to the strong performance of *Libod*, an oncology drug the Group launched in March 2011 as the nationwide exclusive distributor. Turnover of *Libod* made up 12.0% of the segment's total for the year and it currently has a leading market share in its therapeutic area in China. Sales of *Fortum* and *DanShenTong*, the other two key products of the segment, were encouraging as well. Segment profit margin of pharmaceutical promotion and sales strengthened from last year's 20.4% to 27.8%.

Product portfolio of the segment was further diversified in the year with a main focus on the therapeutic areas of oncology, Central Nervous System ("CNS") and dermatology. In the second half of the year, we added 39 new products, of which 26 are in CNS therapeutic area, 5 in oncology and 8 in other areas, thus increasing the total number of products in our portfolio to 52 products as of the end of 2011 covering therapeutic areas of oncology, CNS, anti-infectives, cardiovascular and dermatology. With a view to lowering investment costs and expanding our sales network at a faster pace, the Group started joint promotion with local promotion and sales companies in the second half of the year.

Continuous expansion of our sales network also contributed to the growth of the year. The sales network of pharmaceutical promotion and sales increased by about 300 hospitals from over 3,500 hospitals at the end of 2010 to over 3,800 hospitals at the end of 2011. The Group started to tap into the huge retail market network in China by establishing a sales team for community hospitals and retail pharmacies in the fourth quarter of the year. We believe the large sales footprint of community hospitals and retail pharmacies represents a new and exciting area of growth for the Group.

We also generated revenues from providing distribution services to international and domestic pharmaceutical manufacturers in the year under review. Turnover of the segment was RMB219.4 million for the year, an increase of 3.8% compared to last year's RMB211.4 million (restated); the segment made a loss this year compared to last year's segment profit of RMB2.4 million (restated) as we reduced the business scale and gradually exiting the distribution business.

Chairman's Statement

Vaccine Promotion and Sales Business

With a view to enhancing the Group's competitiveness and improving cash flow, we started to restructure the vaccine business by gradually exiting the vaccine supply chain business and putting our focus on the vaccine promotion and sales business which has higher margins and returns. As such, turnover generated from vaccine supply chain dropped 50.4% from last year's RMB1,167.8 million to RMB579.6 million. Segment profit was RMB17.7 million versus last year's RMB45.0 million. Vaccine promotion and sales grew by 93.0% from last year's RMB356.8 million to RMB688.7 million. Segment profit was RMB71.6 million, versus last year's RMB64.9 million. Segment profit margin was 10.4% compared to last year's 18.2%. The drop in segment profit margin was mainly due to the relatively low gross margin of *Vaxigrip* (influenza).

NT Branded Products Production and Sales Business

Suzhou First is the drug manufacturing arm of the Group. In 2011, turnover of the NT branded products production and sales was mainly generated from sales of *Shusi* and 49 generic drugs. With an increase in raw materials costs and the government's lowering of generic drug prices, turnover of the segment dropped 21.3% from last year's RMB165.6 million (restated) to RMB130.3 million for the year. Segment profit was RMB31.7 million, a decrease of 31.8% compared to last year's RMB46.5 million (restated); segment profit margin was 24.3%, compared to last year's 28.1%.

In February 2012, the Company announced the acquisition of the remaining 20% equity interests in Suzhou First, to maximize its interests in the company. The acquisition is expected to be completed by the end of August 2012. We believe Suzhou First's manufacturing facility and management are amongst the finest in China. As at the latest practicable date, Suzhou First had obtained approvals from the SFDA for 175 drugs licenses to manufacture and sell pharmaceutical products, with a broad product range covering various therapeutic areas such as CNS, cardiovascular and anti-infectives. Located in the Singapore Suzhou Industrial Park, Suzhou, the 150-hectare manufacturing base is 2010 GMP-certified and was built in accordance with the standards of FDA and EU. Going forward, *Shusi*, the CNS product, will be the main focus of Suzhou First, and more products will be launched gradually.

PROSPECTS

2011 was a fruitful year for NT Pharma, as we successfully listed on the Hong Kong Stock Exchange in April; and despite facing a tough operating environment, we successfully launched a number of new products that achieved good sales performance, especially *Libod*, which enabled the Group to record such a good full year results.

Despite the encouraging results of 2011, we remain very cautious in our operations against a backdrop of toughening operating environments. The restrictive use of antibiotics by the government, the lowering of generic drug prices and the reduction in imported vaccines supply caused by the 2010 pharmacopeia all impacted us. Although the exit of vaccine supply chain business will benefit us in the long run by improving our cash flow, we do expect that it will have an earnings impact in the short-term.

Achieving sustainable growth remains at the core of NT Pharma's culture. With the government gradually imposing more reforms on the healthcare sector, we have defined our long term growth strategies in accordance with the changing landscape of the industry. We need to solidify and enhance our sales network by extending our footprint to community hospitals and retail pharmacies and join hands with local promotion and sales companies with sound track records to further enlarge our coverage. In addition, we adopted the strategy of further diversifying our product portfolio to cover various therapeutic areas, with particular focus on oncology, CNS and anti-infectives as well as a broad range of vaccine products.

In line with our strategy of focusing on the therapeutic areas of oncology and CNS, we are going to form a strategic cooperation platform with a renowned local manufacturer with strong R&D capability in oncology therapeutic area. Leverage on both parties' strengths, we target to build the most competitive R&D and sales platform in oncology area in China in the future.

We will acquire companies and sales and promotion companies who focus on CNS products, as well as acquire domestic and global rights to products which have completed phase III clinical trials to enrich our product portfolio and highlight our strength in the CNS therapeutic area.

We also plan to work with R&D companies who focus on developing high-end therapeutic vaccines to develop new and high-end therapeutic vaccines.

I believe all these initiatives will enable the Group to enter into a new stage of high and sustainable growth, with tangible results achieved in the near future.

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 commitment, diligence and dedication which are essential to our continued success.

Ng Tit
Chairman and CEO

Hong Kong, 20 March 2012

Management Discussion and Analysis

FINANCIAL REVIEW AND ANALYSIS

Turnover

Total turnover of the Group for the year was RMB2,758.1 million, an increase of 3.4% from last year's RMB2,668.0 million.

Breakdown of Turnover

	2011	2010
Pharmaceutical Promotion and Sales	**41.3%**	28.7%
Other Pharmaceutical	**8.0%**	7.9%
Vaccine Promotion and Sales	**25.0%**	13.4%
Vaccine Supply Chain	**21.0%**	43.8%
NT Branded Products Production and Sales	**4.7%**	6.2%
Total	**100%**	100%

Operating Profit

Total operating profit of the year amounted to RMB365.6 million, an increase of 43.1% compared to last year's RMB255.5 million.

Breakdown of Reportable Segment Operating Profit

	2011	2010
Pharmaceutical Promotion and Sales	**72.4%**	49.6%
Other Pharmaceutical	**—**	0.7%
Vaccine Promotion and Sales	**16.3%**	20.6%
Vaccine Supply Chain	**4.0%**	14.3%
NT Branded Products Production and Sales	**7.3%**	14.8%
Total	**100%**	100%

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders was RMB234.4 million, an increase of 82.3% compared to last year's RMB128.6 million. Net profit margin of the Group strengthened from last year's 4.8% to 8.5%.

Earnings Per Share

Basic earnings per share were RMB23.41 cents versus last year's RMB15.85 cents.

Finance Costs

Finance costs of the Group increased by 28.0% to RMB58.1 million mainly due to the increase in interest rate.

Capital Expenditure

Total capital expenditure of the Group was RMB43.6 million for the year, mainly for the acquisition of exclusive agency rights of new product, the construction of warehouse in Taizhou, Jiangsu and the purchase of machinery by the drug manufacturing plant.

Taxation

Income tax reduced by 9.5% from last year's RMB80.7 million to RMB73.1 million mainly due to more effective allocation of expenses among subsidiaries based on their scale of operations leading to a reduction in expenses deemed to be non-deductible for tax purpose.

Net Asset Value Per Share

Calculation of net asset value per share was based on the net asset value of the Group attributable to equity shareholders of the Company of RMB2,040.2 million and the 1,081,916,500 ordinary shares issued at 31 December 2011. Net asset value per share at the end of 2011 was RMB1.9 (2010: RMB0.5) per share.

USE OF PROCEEDS

Net proceeds of the Global Offering (as defined in the Prospectus) amounted to approximately RMB934 million. In the Prospectus it was disclosed that about 25% of the net proceeds will be used for upgrading and expanding its infrastructure, including further investments in our advanced cold chain technology and equipment. As the Group decided to exit the vaccine supply chain business, there should be no further investment in cold chain technology and equipment. As a result, the Group intends to apply the unutilized amount from "upgrading and expanding its infrastructure, including further investments in our advanced cold chain technology and equipment" towards other areas of development including expanding product portfolio, purchasing imported vaccines and pharmaceuticals and general working capital.

As at 31 December 2011, balance of the proceeds amounted to RMB353 million and the use of proceeds was summarized as follows.

	RMB million
Expanding distribution network and promotion teams	98
Infrastructure, IT and logistic	20
Product portfolio expansion	184
Purchasing imported vaccines or pharmaceutical products and general working capital	234
Loan settlement	45
Total	581

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 cash flows, projected capital expenditures and projected strategic investment opportunities. We monitor capital using a gearing ratio, which is our total borrowings 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.

CASH FLOW

Summary of Consolidated Cash Flow Statement

	2011	2010
	RMB million	
Net cash used in operating activities	**(206.3)**	(383.2)
Net cash used in investing activities	**(105.0)**	(57.6)
Net cash generated from financing activities	**543.3**	378.1
Net increase/(decrease) in cash and cash equivalents	**232.0**	(62.7)

Group Debt and Liquidity

	2011	2010
	RMB million	
Total debt	**526.3**	840.2
Cash and bank deposits	**485.9**	202.0
Net debt	**40.4**	638.2

Leverage

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

	2011	2010
	RMB million	
Total debt	**526.3**	840.2
Total assets	**3,571.0**	2,755.3
Gearing ratio (%)	**14.7%**	30.5%

Charges on the Group's Assets

As at 31 December 2011, bank deposits of the Group of RMB112.1 million (2010: RMB47.1 million) have been pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB317.4 million (2010: RMB163.7 million). Certain banking facilities of the Group were also secured by the Group's inventories and trade and other receivables amounted to RMB59.7 million and RMB59.8 million respectively.

Capital Commitments

(a) Capital commitments outstanding at 31 December 2011 not provided for were as follows:

	2011	2010
	RMB'000	RMB'000
Contracted for	**3,680**	10,883

(b) At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2011	2010
	RMB'000	RMB'000
Within 1 year	**10,603**	6,369
After 1 year but within 5 years	**12,590**	3,340
	23,193	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.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2011, the total number of employees was 1,182. There were 1,178 employees in Mainland China and the rest in Hong Kong.

Four-Year Financial Summary

RESULTS

In RMB million

	2008	2009	2010	**2011**
Turnover	1,414	2,395	2,668	**2,758**
Cost of sales	(1,179)	(1,915)	(2,005)	**(1,867)**
Gross profit[1]	235	480	663	**891**
Other revenue	48	8	29	**39**
Other net (loss)/income	(44)	(2)	8	**18**
Selling and distribution expenses	(108)	(238)	(354)	**(453)**
Administrative expenses	(43)	(56)	(90)	**(129)**
Profit from operations[1]	88	192	256	**366**
Finance costs	(15)	(17)	(46)	**(59)**
Profit before taxation	73	175	210	**307**
Income tax	(20)	(58)	(81)	**(73)**
Profit for the year[2],[3]	53	117	129	**234**

Four-Year Financial Summary

ASSETS AND LIABILITIES

As at 31 December, in RMB million

	2008	2009	2010	**2011**
Total non-current assets	159	234	288	**320**
Total current assets	820	1,713	2,467	**3,251**
Total current liabilities	763	1,608	2,250	**1,514**
Net current assets	58	105	217	**1,737**
Total assets less current liabilities	217	339	505	**2,057**
Total non-current liabilities	1	2	3	**1**
Net assets	216	337	502	**2,055**
Total equity attributable to equity shareholders of the Company	201	322	487	**2,040**

1) Gross profit and profit from operations included a one-off charge of RMB7.9 million in 2008, due to adjustments related to the termination of our consignment sales business.

2) Profit for the year in 2010 and 2011 included, on an after-tax basis, IPO-related expenses of RMB12.3 million and RMB9.9 million, respectively.

3) Profit for the year in 2009, 2010 and 2011 included, on an after-tax basis, expenses associated with the Pre-IPO Share Option Scheme of RMB4.1 million, RMB24.8 million and RMB11.5 million, respectively.

Corporate Governance Report

The Board of Directors (the "Directors" or the "Board") of the Company is committed to achieving high standard of corporate governance to ensure effective and responsible leadership for the Company and the protection of shareholders' interests.

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 throughout the accounting period covered by the annual report of the Company for the year ended 31 December 2011 (the "2011 Annual 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 one third of the Board. 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.

Directors' Securities Transactions

Our Company has adopted procedures governing the Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). All directors of the Company have fully complied with the required standard set out in the Model Code throughout the year 2011.

Non-Executive Director and Independent Non-Executive Director

For the year ended 31 December 2011, the Board at all times met Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

THE BOARD

Responsibilities

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of our Company and our shareholders. Matters relating to the daily operations of our Group are delegated to the management. During the year, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from the management. The Board also reviewed and approved the final results for the year ended 31 December 2011 and other critical business operations. The Board also assessed the internal control and the financial matters of our Group.

Board Composition

The Board currently comprises eight members, including:

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. Patrick Sun
Mr. Yue Nien Martin Tang
Dr. Lap-Chee Tsui

Corporate Governance Report

As at the date of this annual report, the Board comprises eight directors, including two executive directors, three non-executive directors and three independent non-executive directors.

The members of the Board represent a diverse and rich industry background with appropriate professional qualifications. Please refer to the section headed – "Directors and Senior Management" for the profiles of our directors.

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

Under code provision A.4.1 of the Code contained in Appendix 14 of the Listing Rules, non-executive directors should be appointed for a specific term, subject to re-election. Our non-executive directors are each appointed for terms ranging from one year to three years, subject to re-election when appropriate by our Company in general meeting.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, whenever it is needed. Our Company will convene at least four regular meetings every year. In 2011, the Company convened four Board meetings. The attendance records of the Board meetings held during the year are set out below:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Executive Directors		
Mr. Ng Tit, Chairman and CEO	4/4	100%
Mr. Ng Yuk Keung, CFO	4/4	100%
Non-Executive Directors		
Ms. Chin Yu	2/4	50%
Dr. Qian Wei	2/4	50%
Mr. Stephen Cheuk Kin Law	4/4	100%
Independent Non-Executive Directors		
Mr. Yue Nien Martin Tang	4/4	100%
Mr. Patrick Sun	4/4	100%
Dr. Lap-Chee Tsui	4/4	100%

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

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

The assistant company secretary is responsible for taking and keeping minutes of all Board committee meetings. Draft and final versions of minutes are normally circulated to the directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Training for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. To assist their continuous professional development, the company secretaries recommend directors to attend relevant seminars and courses.

Directors' and Officers' Liability Insurance and Indemnity

Our Company has arranged for appropriate liability insurance to indemnify our directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2011, no claim has been made against our directors and senior officers.

Board Committees

The Board has set up three Board committees, namely, the audit committee, the remuneration committee and the nomination committee (collectively the "Board Committees"), for overseeing particular aspects of our Company's affairs.

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

AUDIT COMMITTEE

The Board established the audit committee on 26 March 2011, with the written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Patrick Sun and comprises two other members, namely Mr. Yue Nien Martin Tang and Dr. Lap-Chee Tsui, all of whom are independent non-executive directors.

The primary duties of the audit committee are to make recommendations to the Board of our Company on the appointment and removal of the external auditors, review the financial statements, oversee and provide material advice in respect of our financial reporting system and oversee the internal control procedures of our Company.

For the year ended 31 December 2011, the audit committee convened three meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Patrick Sun *(Chairman)*	3/3	100%
Mr. Yue Nien Martin Tang	3/3	100%
Dr. Lap-Chee Tsui	2/3	67%

During the year under review, the audit committee together with the management has reviewed, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including review of the annual results for the year ended 31 December 2011 and the interim results for the six months ended 30 June 2011, with recommendation to the Board for approval. The audit committee has also recommended to the Board that, subject to our shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the external auditors of our Company.

REMUNERATION COMMITTEE

The Board established the remuneration committee on 26 March 2011, with the written terms of reference in compliance with the Listing Rules. Mr. Yue Nien Martin Tang is the chairman of the remuneration committee. Mr. Patrick Sun and Mr. Ng Tit are the other two members of the remuneration committee.

The primary functions of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management, our retirement scheme and our performance assessment system and bonus and commission policies.

The remuneration of directors is based on their skills, knowledge, involvement in our Company's affairs and the performance, together with reference to the profitability of our Company, remuneration benchmarks in the industry, and prevailing market conditions.

No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The remuneration committee may also consult the chairman about its proposals relating to the remuneration of other executive directors and has access to professional advice if necessary. The major objective of the remuneration policy is to ensure that our Company is able to attract, retain, and motivate a high caliber team which is essential to the success of our Company.

For the year ended 31 December 2011, the remuneration committee convened two meetings:

Name of Director	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Yue Nien Martin Tang *(Chairman)*	2/2	100%
Mr. Patrick Sun	2/2	100%
Mr. Ng Tit	2/2	100%

During the year under review, the remuneration committee has reviewed the remuneration policy and structure of the executive directors and senior management of our Company, and offered advice on the same to the Board.

NOMINATION COMMITTEE

The Board established the nomination committee on 26 March 2011, with the written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Ng Tit and comprises two other members, namely Mr. Patrick Sun and Mr. Yue Nien Martin Tang.

The primary functions of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The duties of the nomination committee also includes reviewing the structure, number and composition of the Board; submitting proposals to the Board on the appointment of chief executive officer; reviewing the independence of the independent non-executive directors and submitting proposals to the Board. The authority and duties of the nomination committee are clearly sets out in its terms of reference.

For the year ended 31 December 2011, the nomination committee convened one meeting:

Name of Director	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Tit *(Chairman)*	1/1	100%
Mr. Yue Nien Martin Tang	1/1	100%
Mr. Patrick Sun	1/1	100%

During the year under review, the nomination committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, conducted performance evaluations to assess whether the non-executive directors are spending enough time in fulfilling their duties, assessed the independence of independent non-executive directors, and been keeping under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.

Accountability

The directors of our Company acknowledged their responsibility to present a balanced, clear and understandable set of consolidated financial statements in each of the annual and interim reports. When the directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon our Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

CORPORATE GOVERNANCE

Internal Audit

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

Internal Controls

The Board is responsible for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material mis-statement or loss and management rather than elimination of risks associated with its business activities. During the year 2011, the Board, through the Audit Committee, reviewed the effectiveness of the Group's internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. The responsible management of various business units and subsidiaries are required to assess the risks and the internal controls with reference to the five components of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. The result of the review has been summarized and reported to the Audit Committee. In accordance with the Code requirements, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmers and budget for the year ended 31 December 2011. In addition, IA conducts regular and independent reviews of the effectiveness of the Group's internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's internal control system and reports to the Board on such reviews. To ensure the highest standard of integrity in our businesses, the Group has adopted a "Code of Conduct" defining the ethical standards expected of all employees. Training courses on the "Code of Conduct" are held regularly for all employees. The Audit Committee receives a report on the compliance of the "Code of Conduct" every year.

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

INDEPENDENT AUDITOR'S REMUNERATION

During the year under review, the remunerations paid or payable to the Group's auditor, KPMG, in respect of their audit and non-audit services are as follows:

	Year ended 31 December 2011 (in RMB million)
Audit service (including annual audit and interim audit)	6.2
Non-audit services	0.2
Professional services provided in connection with the Company's initial public offering	6.3

Communication with Shareholders

The Company believes that annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. Separate resolutions will be proposed for each substantially separate issue at the annual general meeting. In accordance with the Listing Rules, voting by poll is mandatory at all general meetings except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedure or administrative matter to be voted on by a show of hands. The poll results will be posted on the websites of "HKExnews" and the Group respectively on the same day of the general meeting. As the Company was listed in April 2011, the first annual general meeting will be held in May 2012.

Fair Disclosure

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

Investor Relations

The Company proactively promotes investor relations and communications by setting up regular meetings between the Company's management and institutional shareholders and analysts. The Company recognizes its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are regularly received and visited to explain the Group's businesses. In all cases, great care has been taken to ensure that no price sensitive information is disclosed selectively.

The Board is committed to providing clear and full performance information to the Company's shareholders through the publication of interim and annual reports. In addition to dispatching circulars, notices, and financial reports to the Company's shareholders, additional information is available to the shareholders and investors on the Group's website. The Company values feedback from the shareholders regarding its effort to promote transparency and foster investor relationships. Comments and suggestions are welcomed and can be addressed to the Investor Relations Department of the Company by post or by email.

Financial Reporting

The directors of the Company acknowledge their responsibility for preparing the financial statements which give a true and fair view of the Group's affairs and of its results and cash flows for the year 2011 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The directors of the Company endeavor to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the Group's results of operations and financial position except for those disclosed in note 3(c) to the financial statements on page 59. The responsibilities of the external auditors with respect to the audit of financial statements are set out in the Independent Auditor's Report on 20 March 2012.

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ng Tit (吳鐵), aged 48, co-founder of our Group, is our Chairman and has been our Chief Executive Officer since 1995. Mr. Ng was appointed as the Company's Executive Director on 1 March 2010. Mr. Ng is a member of the Tenth Jiangsu Committee of the Chinese People's Political Consultative Conference of the PRC. Mr. Ng is responsible for the overall strategic planning and management of our Group. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 15 years. Mr. Ng and Ms. Chin entered the pharmaceutical business in 1995 after considering the growth potential of the pharmaceutical business in China. Prior to establishing the Group in 1995, Mr. Ng was the deputy general manager of Guiyang Miracle Plaza Hotel (貴陽神奇金築大酒店) from 1988 to 1991. Mr. Ng obtained his Bachelor of Philosophy from Guizhou University in 1986. In 2007, Mr. Ng obtained an Executive Master of Business Administration from Fudan University (復旦大學), and was also given the Outstanding Dissertation Award by the Department of Management, Fudan University. Mr. Ng is the spouse of Ms. Chin and the brother-in-law of Dr. Qian, both our Non-executive Directors.

Mr. Ng Yuk Keung (吳育強), aged 47, is our Chief Financial Officer, Executive Director and Company Secretary. Mr. Ng joined our Group as our Executive Director on 1 March 2010. He is responsible for the overall financial management and control, accounting, auditing and investor relations of our Group. Mr. Ng is a professional accountant and a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales. He worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. Ng was the Chief Financial Officer of International School of Beijing, an academic institution in Beijing, China. He subsequently joined Australian Business Lawyers, a law firm in Australia in 2003 and was later appointed as a Special Consultant in 2004 responsible for advising on accounting matters. From October 2004 to August 2006, he was the deputy Chief Financial Officer, a Joint Company Secretary and the Qualified Accountant of Irico Group Electronics Company Limited (stock code: 438), a company incorporated in China with H shares listed on the Hong Kong Stock Exchange. From September 2006 to March 2010, Mr. Ng was the Vice President and the Chief Financial Officer of China Huiyuan Juice Group Ltd. (stock code: 1886), a company listed on the Hong Kong Stock Exchange. Mr. Ng is currently an Independent Non-executive Director and Chairman of audit committee of Beijing Capital Land Limited (stock code: 2868) and Winsway Coking Coal Holdings Limited (stock code: 1733), Zhongsheng Group Holdings Limited (Stock Code: 881) and Sany Heavy Equipment International Holdings Company Limited (stock code: 631) and was independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (stock code: 3833), from February 2007 to October 2011. (all listed on the Hong Kong Stock Exchange). Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and obtained a Master of Science degree in Global Business Management and E-commerce in 2002.

NON-EXECUTIVE DIRECTORS

Ms. Chin Yu (錢余), aged 48, co-founder of our Group. Ms. Chin was appointed as the Company's Non-executive Director on 1 March 2010. Prior to the establishment of the Group, Ms. Chin worked in the Securities Department of Bank of Communications, Guiyang Branch from 1987 to 1993. Ms. Chin graduated from Guiyang Accounting Higher Certification College (貴陽會計專業學校) in 1989 and obtained Accountant Certificate (會計證) in 1992. Ms. Chin is the spouse of Mr. Ng, our Chairman and Chief Executive Officer, and the sister of Dr. Qian, our Non-executive Director.

Dr. Qian Wei (錢唯), aged 55, was appointed as our Non-executive Director on 1 March 2010. Dr. Qian is currently a professor of Department of Electrical and Computer Engineering, University of Texas at EL Paso. Dr. Qian was appointed as Allen Henry Professor of Electrical Engineering in the Engineering College, Florida Institute of Technology in 2009. He had previously been an associate professor of Department of Interdisciplinary Oncology at Moffitt Cancer Center, College of Medicine, University of South Florida from 2001 to 2007. Dr. Qian obtained a bachelor's degree in Engineering in 1982 and a master degree in Engineering in 1985, both from Nanjing University of Post and Telecommunications (南京郵電學院). He also obtained a doctorate degree in Engineering from Southeast University (東南大學) in 1990. Dr. Qian is the brother of Ms. Chin, our Non-executive Director and the brother-in-law of Mr. Ng, our Chairman.

Mr. Stephen Cheuk Kin Law (羅卓堅), aged 49, was appointed as our Non-executive Director on 25 March 2011. Mr. Law is a Managing Director of TPG Growth Capital (Asia) Limited. Prior to joining TPG in July 2006, Mr. Law was in Morningside Technologies Inc Limited ("Morningside"), where he was responsible for a portfolio of private equity investments. Prior to Morningside, Mr. Law focused in corporate finance and development for Wheelock and Co. Ltd. and i-CABLE Communications Ltd. to develop various businesses in China and Hong Kong. He is a member of the Institute of Chartered Accountants in England and Wales, an associate of the Hong Kong Institute of Certified Public Accountants and a registered practicing Certified Public Accountant in Hong Kong. He is a council member of Hong Kong Institute of Certified Public Accountants, and the Chairman of the Corporate Governance Award Organizing Committee and the Chairman of the Corporate Finance Committee. Mr. Law received a Bachelor of Science degree from the University of Birmingham in 1984 and a master's degree in Business Administration from the University of Hull in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Patrick Sun (辛定華), aged 53, was initially appointed as our Independent Non-executive Director on 1 March 2010 for a term of one year and was subsequently re-appointed as our Independent Non-executive Director on 7 March 2011 after expiry of the term of office. He has been an Independent Non-executive Director of Solomon Systech (International) Limited (stock code: 2878) from February 2004 (and its Chairman from January 2007), an Independent Non-executive Director of China Railway Group Limited (stock code: 390) from August 2007, Trinity Limited from October 2008 (stock code: 891), and Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460) from October 2010 (all are companies listed on the Hong Kong Stock Exchange). Prior to that, Mr. Sun was Group Executive Director and Head of Investment Banking for Greater China of Jardine Fleming Holdings Limited between 1996 and 2000, the Senior Country Officer and Head of Investment Banking for Hong Kong J.P. Morgan from 2000 to 2002, and an Executive Director of SW Kingsway Capital Holdings Limited (stock code: 188) between September 2004 and May 2006. Mr. Sun was an Independent Non-executive Director of The Link Management Limited (the Manager of The Link Real Estate Investment Trust), listed on the Hong Kong Stock Exchange (stock code: 823) between September 2004 and July 2007. He was an Executive Director and Chief Executive Officer of Value Convergence Holdings Limited (stock code: 821), a company listed on the Hong Kong Stock Exchange, from August 2006 to October 2009. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee of Securities and Futures Commission, Hong Kong, Deputy Convenor of the Listing Committee of the Hong Kong Stock Exchange and a council member of the Hong Kong Stock Exchange. He also served as Honorary Chief Executive Officer of The Chamber of Hong Kong Listed Companies Limited. Currently, he is a Vice Chairman of The Chamber of Hong Kong Listed Companies.

Mr. Sun graduated from the Wharton School of the University of Pennsylvania, the United States, with a Bachelor of Science in Economics degree in economics in 1981. Mr. Sun also completed the Stanford Executive Program of Stanford Business School, the Unites States, in 2000. Mr. Sun has been a fellow, since April 1992, of the Association of Chartered Certified Accountants (formerly the Chartered Association of Certified Accountants), the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants (formerly the Hong Kong Society of Accountants) since November 2009.

Mr. Yue Nien Martin Tang (唐裕年), aged 62, was initially appointed as our Independent Non-executive Director on 1 March 2010 for a term of one year and was subsequently re-appointed as our Independent Non-executive Director on 7 March 2011 after expiry of the term of office. Mr. Tang is also an Independent Non-executive Director of Li & Fung Limited (stock code: 494), an Independent Non-executive Director of CEI Contract Manufacturing Limited (stock code: CEI), a company listed on the Singapore Stock Exchange and a director of HK Wuxi Trade Association Ltd. Mr. Tang has extensive recruiting expertise in the public and private sectors, including banking and commerce. Prior to joining our Group's board, Mr. Tang worked at Spencer Stuart & Associates, a global executive search consulting firm, for 16 years and retired as Chairman, Asia on November 2008. Mr. Tang was formerly Non-executive Chairman of Midas Printing Group Ltd (called Midas International Holdings Limited now) (stock code: 1172) and a Director of Tristate Holdings Limited (stock code: 458), both listed on the Hong Kong Stock Exchange. In addition to company experiences, Mr. Tang also served as a Council

Member of the Hong Kong University of Science and Technology from 1993 to 1999 and was subsequently a member of the University Court from 1999 to 2003. Mr. Tang was a member of the University Grants Committee of Hong Kong from 2002 to 2008 and the Professional Services Advisory Committee of the Hong Kong Trade Development Council from 2005 to 2009. He was the 112th president of the MIT Alumni Association from 2006 to 2007. He was a Committee Member and past President of the German Chamber of Commerce Hong Kong and served on the Asia Society's Hong Kong Center's Advisory Council. Currently, Mr. Tang is a trustee emeritus and Presidential Councillor of Cornell University and a member of the MIT Corporation (2004 to 2009 and 2010 to 2015). He is also on the Board of Governors of Junior Achievement Hong Kong and a trustee member of the World Wide Fund for Nature - Hong Kong. Mr. Tang obtained Bachelor of Science degree from Cornell University in 1970 and a master's degree of Science in Management of the Massachusetts Institute of Technology in 1972.

Dr. Lap-Chee Tsui (徐立之), aged 62, was appointed as our Independent Non-executive Director on 1 April 2010 and was subsequently re-appointed as a Director of our Company on 1 April 2011. He is the fourteenth Vice-Chancellor of the University of Hong Kong. Prior to his current appointment in 2002, Dr. Tsui was a member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998; he also held academic appointments at the University of Toronto since 1983, was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Dr. Tsui has received numerous awards for his work, including receiving the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002 and the European Cystic Fibrosis Society Award in 2009. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the US in 2004, and, Foreign Member of the Chinese Academy of Sciences in 2009. Dr. Tsui obtained a bachelor's and master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a doctorate degree in biological sciences from the University of Pittsburgh in 1979.

SENIOR MANAGEMENT

Mr. Zhenyu Xu（徐震宇）, Group VP and General Manager of Pharmaceutical Department

Mr. Xu, aged 41, joined our Group in December 2007 as Sales Promotion Director for pharmaceutical promotion department and was appointed as General Manager of pharmaceutical promotion department on 1 January 2008. He is responsible for pharmaceutical promotion network building, marketing strategy and customer management. Prior to joining our Group, Mr. Xu worked in various positions, including Senior Sales Representative, District Manager, Regional Sales Manager and Senior Regional Sales Director in Eli Lilly and Company from 1996 to 2007. From 1993 to 1995, he worked in Shanghai Institute of Pharmaceutical Industry. Mr. Xu obtained a bachelor's degree in Chemical Pharmacy from East China University of Science and Technology in 1993.

Directors and Senior Management

Mr. Alan Xu (許明), General Manager of Vaccine Department and Corporate Alliance Director

Mr. Xu, aged 39, joined our Group in 2006 as National Sales Manager and was promoted to Commercial Director of the Group in 2007. Mr. Xu has over 16 years experience in healthcare sales and marketing. Prior to joining our Group, he was with Kunshan Rotam Reddy Pharmaceutical Co. Ltd., Bayer (China) Limited, Hanzhou Merck Sharp & Dohme Pharmaceutical Co. Ltd. as Financial and Commercial Manager, National Commercial Manager and National Commercial Sales Manager. Mr. Xu obtained a bachelor degree in Pharmacy from Fudan University in 1995 and Executive Master of Business Administration from the School of Management of Fudan University in 2007.

Mr. Weizhong Wu (吳為忠), Director of Suzhou First

Mr. Wu, aged 42, was appointed as the General Manager of Suzhou First, a non-wholly owned subsidiary of the Company, in 2006. He is responsible for the overall operation of our manufacturing facilities. Mr. Wu has over 18 years of experience in pharmaceutical manufacturing. Prior to joining our Group, Mr. Wu worked at various positions including Engineer, Assistant Manager and Deputy Factory Manager of Suzhou Fourth from 1992 to 2000. From 2000 to 2005, Mr. Wu was Factory Manager of Suzhou First prior to the Group's investment in Suzhou First in 2005. Mr. Wu obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in 1992. He also obtained an Executive Master of Business Administration from Fudan University in 2004.

Mr. Dominic Leung (梁愷健), Group Financial Controller

Mr. Leung, aged 37, joined our Group in November 2010 and is responsible for the Group's financial operation and development. Mr. Leung is a professional accountant and a member of the CPA Australia. He worked with PricewaterhouseCoopers from 1997 to 2000. Prior to joining our Group, Mr. Leung was the Financial Controller of Jabil Circuit (Shanghai) Company Ltd. (a wholly owned subsidiary of Jabil Circuit, Inc. (NYSE listed stock code: JBL)). Mr. Leung obtained a bachelor's degree in Commerce from University of Adelaide, South Australia in 1997.

Miss Michelle Chan (陳慧蓓), Head of Investor Relations and Assistant Company Secretary

Miss Chan, aged 40, joined our Group in July 2011. Miss Chan has over 12 years experience in investor relations. Prior to joining our Group, she was the Head of IR in various listed companies. Before entering the IR field, Miss Chan was Associate Director of a venture capital responsible for M&A, and before that she was with a bank responsible for marketing and sale of derivative products. From 1994 to 1997, she was an investment analyst covering China stocks. Miss Chan obtained a bachelor degree in 1994 from the University of Hong Kong and a Master in Financial Management from the Hong Kong University of Science and Technology in 2007.

The Board of Directors (the "Board") has pleasure in presenting its annual report together with the audited consolidated financial statements of China NT Pharma Group Company Limited ("NT Pharma" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in providing third party pharmaceutical and vaccine promotion and sales services in China as well as distribution services for pharmaceutical and vaccine manufacturers in distributing their products to customers. The Group manufactures pharmaceutical products through its subsidiary, Suzhou First.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2011. The Group realigned its businesses in 2011 to enhance its competitiveness and with various new initiatives of development are well in place; the Board of Directors believes that more resources should be retained for the further development of the Group to gear for a higher growth and thus bring better returns to shareholders in the near future.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on page 48 to 129.

TRANSFER TO RESERVES

Profits attributable to shareholders of RMB234.4 million (2010: RMB128.6 million) have been transferred to reserves, and other movements in reserves during the year are set out in the consolidated statement of changes in equity.

FIXED ASSETS

Details of the movements of fixed assets during the year are set out in note 15 to the financial statements.

BORROWINGS

Particulars of the Group's borrowings are set out in note 24 to the financial statements.

Report of the Directors

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29(c) to the financial statements. Shares were issued by the Company during the year pursuant to its initial public offering.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the aggregate amount of turnover attributable to the Group's five largest customers and suppliers represented 22.7% and 75.6% of the Group's total turnover and purchases respectively.

During the year under review, our largest customer accounted for approximately 7% of our total turnover and our largest supplier accounted for approximately 35.7% of our total purchases.

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

DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. NG Tit *(Chairman and Chief Executive Officer)*	(appointed on 1 March 2010)
Mr. NG Yuk Keung *(Chief Financial Officer)*	(appointed on 1 March 2010)

Non-executive Directors

Ms. CHIN Yu	(appointed on 1 March 2010)
Dr. QIAN Wei	(appointed on 1 March 2010)
Mr. Stephen Cheuk Kin LAW	(appointed on 25 March 2011)

Independent Non-executive Directors

Mr. Patrick SUN	(appointed on 1 March 2010 and re-appointed on 7 March 2011)
Mr. Yue Nien Martin TANG	(appointed on 1 March 2010 and re-appointed on 7 March 2011)
Dr. Lap-Chee TSUI	(appointed on 1 April 2010 and re-appointed on 1 April 2011)

Biographical details of the Directors of the Company are set out on pages 28 to 31 of this Annual Report.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and the Company still considers such directors to be independent.

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 50,027,881 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. Up to 31 December 2011, no further option has been granted pursuant to the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of Pre-IPO Share Option Scheme is set out in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII to the Prospectus of our Company. A total number of 5,402,008 options were forfeited during the year ended 31 December 2011.

As at 31 December 2011, options to subscribe for an aggregate of 39,555,187 shares of the Company were outstanding and these options relate to the options granted to one director and employees.

1) Director of the Company

				Number of share options				
	Date of grant	Option Period	Exercise price	Balance as at 1/1/2011	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31/12/2011	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' and Chief Executive's interests and short position in shares, underlying shares or debentures of our Company and our associated corporations".

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

	Date of grant	Option Period	Exercise price	Number of share options: Balance as at 1/1/2011	Exercised during the year	Forfeited during the year	Balance as at 31/12/2011	Percentage to the issued share capital
Employees	18/9/2009	18/9/2009-18/9/2019	US$0.20	24,618,525	—	4,152,008	20,466,517 (note 1)	1.89%
	28/1/2010	28/1/2010-28/1/2020	US$0.20	10,688,670	—	1,250,000	9,438,670 (note 2)	0.87%
	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.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed during the year.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the year under review, the Company or any of its subsidiaries was not a party to any arrangement which would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this report, none of the directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION POLICY

The Group's remuneration policy is to compensate our employees based on their performance, and qualifications and our results of operations.

The emoluments of our directors and senior management are determined by our remuneration committee with reference to our results of operations, their individual performance and the comparable market statistics.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF OUR COMPANY AND OUR ASSOCIATED CORPORATIONS

As at 31 December 2011, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register kept by our Company under Section 352 of the SFO or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code of the Listing Rules ("the Model Code ") contained in Appendix 10 were as follows:

1) Long position in the shares in the Company

	Number of shares of the Company				Percentage to the issued share capital
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	(approximately)
Mr. Ng Tit	500,000 (note1)	—	505,062,500 (note3)	—	46.73%
Ms. Chin Yu	500,000 (note2)	—	505,062,500 (note4)	—	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 31 December 2011 were as follows:

				Number of share options				
Name of Director	Date of grant	Option period	Exercise price	Balance as at 1/1/2011	Exercised during the period	Lapsed/ cancelled during the period	Balance as at 31 December 2011	Percentage to the issued share capital
Mr. Ng Yuk Keung	1/3/2010	1/3/2010- 1/3/2020	US$0.20	2,400,000	—	—	2,400,000 (note1)	0.22%
	1/7/2010	1/7/2010- 1/7/2020	US$0.20	3,227,325	—	—	3,227,325 (note2)	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, as at 31 December 2011, none of the Directors and the chief executive of our Company or their associates (including their spouses and children under 18 years of age) had any interest or short positions in the Shares, underlying Shares or debentures of our Company or our associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

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 Gen Par. 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%

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
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 31 December 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2011, the Group entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) and details of these transactions are set out as follows in accordance with the Listing Rules:

BACKGROUND

According to the SFDA application jointly submitted by Suzhou First and Suzhou Fourth and the SFDA approval issued in 2003 in relation to the manufacturing of Shusi, Suzhou First is responsible for manufacturing of Shusi and Suzhou Fourth is responsible for supplying the raw materials. We were advised that any change to the raw material supplier as stated in the SFDA application requires SFDA approval with a six-month trial period monitored by the relevant government authority. Suzhou First has since purchased the key raw material from Suzhou Fourth.

Suzhou Fourth is wholly owned by Suzhou Pharmaceutical Group Co., Ltd. (蘇州醫藥集團有限公司) ("Suzhou Group"). During the year under review, Suzhou Group was a substantial shareholder in our subsidiary Suzhou First, and therefore Suzhou Fourth, being an associate of Suzhou Group, was our connected person pursuant to Rule 14A.11(4) of the Listing Rules. Therefore, any transaction between our Group and Suzhou Fourth are connected transactions of our Company pursuant to Rule 14A.13(1) (a) of the Listing Rules.

DESCRIPTION OF THE TRANSACTIONS

On 15 March 2011, our Company have, in the ordinary course of business, entered into a raw material supply agreement with Suzhou Fourth, pursuant to which Suzhou Fourth agreed to supply Quetiapine Fumarate (富馬酸奎硫平), the key raw material for manufacturing Shusi, to us from time to time for a term of three years commencing on 20 April 2011.

The transaction amount for the supply of raw material by Suzhou Fourth to our Group for the year ended 31 December 2011 was approximately RMB11.7 million while the annual cap set for the supply of raw materials by Suzhou Fourth to our Group was RMB20.1 million.

In respect of the above continuing connected transactions, the Hong Kong Stock Exchange has granted a waiver to our Company from strict compliance with the disclosure or where appropriate, the shareholders' approval requirements stipulated in Chapter 14A of the Listing Rules subject to certain conditions.

Our independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- in the ordinary and usual course of business of our Group;
- on normal commercial terms; and
- in accordance with the relevant agreements entered into on terms which are fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Board has received a letter from the auditors of the Company stating that, on the basis of procedures performed, nothing has come to their attention that causes them to believe that the continuing connected transactions:

- have not been approved by the Board;
- have not been entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
- have exceeded the maximum aggregate annual value disclosed in the Company's prospectus dated 8 April 2011 in respect of the continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of material related party transactions undertaken are set out in note 33 to the financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

FOUR-YEAR FINANCIAL SUMMARY

A summany of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 16 and 17 of the annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of our Company and there is no restriction against such rights which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

PENSION SCHEMES

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. 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. Details of the Schemes and the MPF Scheme are set out in note 8(b) to the financial statements.

The Company may not utilize any forfeited contributions in order to make less contributions than the current amounts.

During the year under review, the Group's contributions to the Schemes and the MPF Scheme were RMB19.6 million.

Report of the Directors

PUBLIC FLOAT

As at the Latest Practicable Date prior to the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-election of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Yuk Keung
Company Secretary

Hong Kong, 20 March 2012

Financial Information

Independent Auditor's Report

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

We have audited the consolidated financial statements of China NT Pharma Group Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 129 which comprise the consolidated and company balance sheets as at 31 December 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 year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with 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

20 March 2012

Consolidated Income Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	RMB'000
Turnover	5	**2,758,142**	2,667,978
Cost of sales		**(1,867,496)**	(2,004,775)
Gross profit		**890,646**	663,203
Other revenue	6	**38,947**	28,698
Other net income	7	**17,875**	8,148
Selling and distribution expenses		**(452,834)**	(354,456)
Administrative expenses		**(129,082)**	(90,056)
Profit from operations		**365,552**	255,537
Finance costs	8(a)	**(58,083)**	(45,379)
Profit before taxation	8	**307,469**	210,158
Income tax	9(a)	**(73,092)**	(80,748)
Profit for the year		**234,377**	129,410
Attributable to:			
Equity shareholders of the Company	12	**234,377**	128,610
Non-controlling interests		**—**	800
Profit for the year		**234,377**	129,410
Earnings per share	13		
Basic		**23.41 cents**	15.85 cents
Diluted		**23.22 cents**	15.77 cents

The notes on pages 57 to 129 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011	2010
	RMB'000	RMB'000
Profit for the year	**234,377**	129,410
Other comprehensive income for the year		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC"), net of nil tax	**(9,967)**	11,985
Total comprehensive income for the year	**224,410**	141,395
Attributable to:		
Equity shareholders of the Company	**224,410**	140,595
Non-controlling interests	**—**	800
Total comprehensive income for the year	**224,410**	141,395

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Fixed assets	15		
– Property, plant and equipment		**213,696**	208,859
– Interests in leasehold land held for own use under operating leases		**31,713**	32,477
		245,409	241,336
Prepayment for fixed assets		**2,397**	2,397
Intangible assets	16	**48,826**	37,174
Goodwill	17	**1,250**	1,250
Deferred tax assets	27(b)	**22,191**	5,919
		320,073	288,076
Current assets			
Inventories	19	**355,673**	527,054
Trade and other receivables	20	**2,409,432**	1,738,213
Pledged bank deposits	21	**112,103**	47,080
Cash at bank and in hand	22	**373,755**	154,913
		3,250,963	2,467,260
Current liabilities			
Trade and other payables	23	**902,602**	1,358,270
Bank loans and overdrafts	24	**526,253**	833,687
Other loan	25	**—**	6,500
Current taxation	27(a)	**85,639**	51,941
		1,514,494	2,250,398
Net current assets		**1,736,469**	216,862

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	RMB'000
Total assets less current liabilities		**2,056,542**	504,938
Non-current liabilities			
Deferred tax liabilities	27(b)	**1,235**	2,661
NET ASSETS		**2,055,307**	502,277
CAPITAL AND RESERVES			
Share capital	29(c)	**1**	—
Reserves		**2,040,176**	487,147
Total equity attributable to equity shareholders of the Company		**2,040,177**	487,147
Non-controlling interests		**15,130**	15,130
TOTAL EQUITY		**2,055,307**	502,277

Approved and authorised for issue by the board of directors on 20 March 2012.

Ng Tit
Director

Ng Yuk Keung
Director

The notes on pages 57 to 129 form part of these financial statements.

Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	2011	2010
		RMB'000	RMB'000
Non-current asset			
Interest in subsidiaries	18	**1,008,342**	—
Current assets			
Trade and other receivables	20	**72**	—
Cash at bank and in hand	22	**305,250**	—
		305,322	—
Current liabilities			
Trade and other payables	23	**3,040**	—
Amount due to a subsidiary	26	**—**	3
		3,040	3
Net current assets/(liabilities)		**302,282**	(3)
NET ASSETS/(LIABILITIES)		**1,310,624**	(3)
CAPITAL AND RESERVES	29(a)		
Share capital		**1**	—
Reserves		**1,310,623**	(3)
TOTAL EQUITY/(DEFICIT)		**1,310,624**	(3)

Approved and authorised for issue by the board of directors on 20 March 2012.

Ng Tit
Director

Ng Yuk Keung
Director

The notes on pages 57 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29(d)(ii))	Statutory reserve RMB'000 (Note 29(d)(iii))	Merger reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000 (Note 29(d)(v))	Capital reserve RMB'000 (Note 29(d)(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 2010:											
Profit for the year	—	—	—	—	—	—	—	128,610	128,610	800	129,410
Other comprehensive income	—	—	11,985	—	—	—	—	—	11,985	—	11,985
Total comprehensive income	—	—	11,985	—	—	—	—	128,610	140,595	800	141,395
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(800)	(800)
Equity-settled share-based transactions	—	—	—	—	—	—	24,806	—	24,806	—	24,806
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 year ended 31 December 2011
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29(d)(ii))	Statutory reserve RMB'000 (Note 29(d)(iii))	Merger reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000 (Note 29(d)(v))	Capital reserve RMB'000 (Note 29(d)(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 2011:											
Profit for the year	–	–	–	–	–	–	–	234,377	234,377	–	234,377
Other comprehensive income	–	–	(9,967)	–	–	–	–	–	(9,967)	–	(9,967)
Total comprehensive income	–	–	(9,967)	–	–	–	–	234,377	224,410	–	224,410
Shares issued pursuant to a 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	–	–	–	–	–	–	11,454	–	11,454	–	11,454
Forfeiture of vested share options	–	–	–	–	–	–	(1,426)	1,426	–	–	–
Appropriation to statutory reserve	–	–	–	22,644	–	–	–	(22,644)	–	–	–
Balance at 31 December 2011	**1**	**933,786**	**39,744**	**88,003**	**8,256**	**383,379**	**38,950**	**548,058**	**2,040,177**	**15,130**	**2,055,307**

The notes on pages 57 to 129 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation		**307,469**	210,158
Adjustments for:			
Depreciation	8(c)	**15,049**	12,671
Amortisation of interests in leasehold land held for own use under operating leases	8(c)	**764**	360
Amortisation of intangible assets	8(c)	**8,430**	4,393
Finance costs	8(a)	**58,083**	45,379
Bank interest income	6	**(3,412)**	(619)
Net loss/(gain) on disposal of property, plant and equipment	7	**189**	(527)
Equity-settled share-based payment expenses	8(b)	**11,454**	24,806
Foreign exchange (gain)/loss		**(4,975)**	446
Operating profit before changes in working capital		**393,051**	297,067
Decrease/(increase) in inventories		**165,368**	(298,095)
Increase in trade and other receivables		**(672,546)**	(525,400)
(Decrease)/increase in trade and other payables		**(35,107)**	228,073
Cash used in operations		**(149,234)**	(298,355)
Tax paid			
– Hong Kong Profits Tax paid		**(15,889)**	(8,115)
– PRC Income Tax paid		**(41,203)**	(76,765)
Net cash used in operating activities		**(206,326)**	(383,235)

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	RMB'000
Investing activities			
Payment for purchases of property, plant and equipment		**(23,407)**	(51,167)
Payment for interests in leasehold land held for own use under operating leases		**—**	(17,528)
Payment for the purchase of intangible assets		**(20,163)**	(1,680)
Proceeds from disposal of property, plant and equipment		**217**	3,247
(Increase)/decrease in pledged bank deposits		**(65,023)**	8,910
Interest received		**3,412**	619
Net cash used in investing activities		**(104,964)**	(57,599)
Financing activities			
Proceeds from new bank loans		**1,348,981**	2,085,840
Proceeds from other loans		**250,000**	16,500
Repayment of bank loans		**(1,650,293)**	(1,696,263)
Repayment of other loans		**(256,500)**	(80,000)
Net (decrease)/increase in advances from related companies		**(24,627)**	98,206
Interest paid		**(58,083)**	(45,379)
Distribution to non-controlling interests		**—**	(800)
Net proceeds from issuance of shares under placing and public offering		**933,786**	—
Net cash generated from financing activities		**543,264**	378,104
Net increase/(decrease) in cash and cash equivalents		**231,974**	(62,730)
Cash and cash equivalents at 1 January		**149,810**	212,240
Effect of foreign exchange rate changes		**(8,029)**	300
Cash and cash equivalents at 31 December	22	**373,755**	149,810

The notes on pages 57 to 129 form part of these financial statements.

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 29(c). The Company's shares were listed on the Stock Exchange on 20 April 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 the ultimate equity shareholders (the "Controlling Shareholders") before and immediately after the Reorganisation, these consolidated 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 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 financial statements have been prepared in accordance with 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 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 and the Company. Note 3(c) 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.

(b) Basis of preparation of the financial statements

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

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the 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 financial statements and major sources of estimation uncertainty are discussed in note 4.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) 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 and the Company. 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 financial statements.

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

(d) 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 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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

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 year between non-controlling interests and the equity shareholders of the Company.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(j)).

(e) 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(j)).

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) 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(j)).

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 - 20 years
— Furniture and fixtures	5 years
— Leasehold improvements	Over the term of lease
— Office equipment	3 - 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.

(g) 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(j)). 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(u)).

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)*

(h) 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(j)). 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(j)). 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(j)).

(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(j)). Amortisation of exclusive agency rights is charged to profit or loss on a straight line basis over an agency period from 4 to 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(j)).

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets (other than goodwill) *(continued)*

(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(j)). 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.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities and trade and other receivables that are stated at cost or amortised cost 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;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(j)(ii);

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and trade and other receivables *(continued)*

— 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. This assessment is made collectively where these financial assets 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(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.

— 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).

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

— 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 year 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(j)(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)*

(k) 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 3(j)), 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.

(m) 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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.

(o) 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.

(p) Employee benefits

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

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

(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 year 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)*

(q) 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 year, 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

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.

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

(s) 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 from government is recognised in the balance sheet initially when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Subsidy income that compensates the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition *(continued)*

(iv) Interest income

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

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the 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.

(u) 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

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

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)*

(w) 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 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 16, 17 and 28 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 to be generated by the asset are discounted to their present value. Estimation of future cash flows requires significant judgement relating to the future 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 relating to projections of sales volumes, sales revenue and amount of operating costs.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Depreciation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. 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 the 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.

(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 deductible temporary differences and tax losses only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets 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.

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 year is as follows:

	2011	2010
	RMB'000	RMB'000
Sales of pharmaceutical products and vaccines	2,459,857	2,475,328
Service income	298,285	192,650
	2,758,142	2,667,978

Sales of pharmaceutical products and vaccines are derived from selling of pharmaceutical products and vaccines through the Group's five reportable segments as discussed in note 14, 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 Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the years ended 31 December 2011 and 2010. Details of concentration of credit risk are set out in note 30(a).

6 OTHER REVENUE

	2011	2010
	RMB'000	RMB'000
Bank interest income	3,412	619
Subsidy income	27,210	25,267
Sundry income	8,325	2,812
	38,947	28,698

Subsidy income represents government subsidies received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policy of the local government authority.

7 OTHER NET INCOME

	2011 RMB'000	2010 RMB'000
Net (loss)/gain on disposal of property, plant and equipment	**(189)**	527
Net exchange gain	**18,064**	7,621
	17,875	8,148

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2011 RMB'000	2010 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**49,996**	36,801
Bank charges	**8,087**	9,181
Total borrowing costs	**58,083**	45,982
Less: borrowing costs capitalised into construction in progress *	**—**	(603)
	58,083	45,379

* The borrowing costs were capitalised at a rate of 5.35% - 5.84% per annum during the year ended 31 December 2010.

	2011 RMB'000	2010 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	**19,587**	19,973
Salaries, wages and other benefits	**131,936**	109,967
Equity-settled share-based payment expenses	**11,454**	24,806
	162,977	154,746

8 PROFIT BEFORE TAXATION *(continued)*

Profit before taxation is arrived at after charging: *(continued)*

(b) Staff costs *(continued)*

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 11% to 22% of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items

	2011 **RMB'000**	2010 RMB'000
Depreciation	**15,049**	12,671
Amortisation of interests in leasehold land held for own use under operating leases	**764**	360
Amortisation of intangible assets	**8,430**	4,393
Auditors' remuneration	**6,535**	671
Operating lease charges: minimum lease payments - property rental	**8,961**	8,327
Cost of inventories (note 19(b))	**1,845,346**	1,982,422

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2011	2010
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	19,553	11,891
Current tax – PRC Income Tax		
Provision for the year	71,856	70,221
(Over)/under-provision in respect of prior years	(619)	87
	71,237	70,308
Deferred tax		
Origination and reversal of temporary differences	(17,698)	(1,451)
	73,092	80,748

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

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

	2011	2010
	RMB'000	RMB'000
Profit before taxation	**307,469**	210,158
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**69,903**	56,012
Tax effect of non-deductible expenses	**14,932**	28,925
Tax effect of non-taxable income	**(678)**	—
Tax effect of PRC tax concessions	**(111)**	(7,901)
Tax effect of unused tax losses not recognised	**3,640**	4,740
Tax effect of tax losses not recognised in prior years utilised during the year	**(3,025)**	(1,115)
Tax effect of recognition of prior years' unrecognised tax losses in the current year	**(10,950)**	—
(Over)/under-provision in respect of prior years	**(619)**	87
Actual income tax	**73,092**	80,748

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

(ii) The provision for Hong Kong Profits Tax for the year ended 31 December 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for that year. 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 year ended 31 December 2010, a PRC subsidiary was subject to tax at 50% of the standard 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:

Year ended 31 December 2011

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses (note) RMB'000	Total RMB'000
Executive directors						
Ng Tit	—	2,980	—	10	—	2,990
Ng Yuk Keung	743	1,171	—	10	2,978	4,902
Non-executive directors						
Chin Yu	—	—	—	—	—	—
Qian Wei	—	—	—	—	—	—
Stephen Cheuk Kin Law	—	—	—	—	—	—
Independent non-executive directors						
Patrick Sun	207	—	—	—	—	207
Yue Nien Martin Tang	207	—	—	—	—	207
Lap-Chee Tsui	190	—	—	—	—	190
Total	1,347	4,151	—	20	2,978	8,496

10 DIRECTORS' REMUNERATION *(continued)*

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

Year ended 31 December 2010

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses (note) RMB'000	Total RMB'000
Executive directors						
Ng Tit	—	3,135	—	10	—	3,145
Ng Yuk Keung	601	931	—	9	2,702	4,243
Non-executive directors						
Chin Yu	—	—	—	—	—	—
Qian Wei	—	—	—	—	—	—
Stephen Cheuk Kin Law	—	—	—	—	—	—
Independent non-executive directors						
Patrick Sun	181	—	—	—	—	181
Yue Nien Martin Tang	181	—	—	—	—	181
Lap-Chee Tsui	163	—	—	—	—	163
Total	1,126	4,066	—	19	2,702	7,913

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(p)(ii).

During the years ended 31 December 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.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include two directors (2010: two) of the Company for the year ended 31 December 2011, whose emoluments are disclosed in note 10. The emoluments in respect of the remaining individuals are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**2,082**	2,021
Retirement scheme contributions	**152**	121
Equity-settled share-based payment expenses	**3,093**	5,285
	5,327	7,427

The above individuals' emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**2**	—
HK$2,500,001 to HK$3,000,000	**—**	2
HK$3,000,001 to HK$3,500,000	**—**	1

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB14,104,000 (2010: RMB3,000) which has been dealt with in the financial statements of the Company.

13 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 year ended 31 December 2011 of RMB234,377,000 (2010: RMB128,610,000) and the weighted average number of ordinary shares of the Company in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 Number of shares '000	2010 Number of shares '000
Effect of shares issued pursuant to the Reorganisation (note 29(c)(iii))	**811,438**	811,438
Effect of shares issued under placing and public offering (note 29(c)(iv))	**189,705**	—
Weighted average number of ordinary shares at 31 December	**1,001,143**	811,438

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

13 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of the Company for the year ended 31 December 2011 of RMB234,377,000 (2010: RMB128,610,000) and the diluted weighted average number of ordinary shares in the respective year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011 Number of shares '000	2010 Number of shares '000
Weighted average number of ordinary shares at 31 December	**1,001,143**	811,438
Effect of deemed issue of shares under the share option scheme for nil consideration	**8,099**	4,191
Weighted average number of ordinary shares (diluted) at 31 December	**1,009,242**	815,629

The diluted earnings per share is calculated as if the modification of the share options granted to the Group's directors and employees on 7 April 2011 (see note 28) had been effective since the beginning of the earliest period presented.

14 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 five reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Pharmaceutical promotion and sales: pharmaceutical promotion and sales derives turnover from selling and marketing globally and domestically-manufactured pharmaceutical products to customers and providing both promotion and ancillary supply chain services.

— Other pharmaceutical: other pharmaceutical derives turnover from providing supply chain services for domestic and international pharmaceutical manufacturers to distribute their pharmaceutical products.

— Vaccine promotion and sales: vaccine promotion and sales derives turnover from selling and marketing vaccine products manufactured by global and domestic vaccine manufacturers to customers, and providing both promotion and ancillary supply chain services.

— Vaccine supply chain: vaccine supply chain derives turnover from providing supply chain services for domestic and international vaccine manufactures to distribute their vaccine products.

— NT branded products production and sales: NT branded products production and sales derives turnover from production and sales of NT branded products and generic drugs through the Company's subsidiary, Suzhou First Pharmaceutical Co., Ltd.

In 2011, the financial results of NT branded products production and sales which were reported as part of the pharmaceutical promotion and sales and other pharmaceutical segments in previous periods' financial statements are separately reported to the Group's most senior executive management as one single operating segment for the purpose of resources allocation and performance assessment. Following the change in the composition of the Group's operating segments that in turn has resulted in a change in the reportable segments, the segment information for the year ended 31 December 2010 has been restated.

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 year. Accordingly, no analysis by geographical segments has been provided for the year.

14 SEGMENT REPORTING *(continued)*

(a) Segment results

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

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

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 years ended 31 December 2011 and 2010 is set out below.

	Pharmaceutical promotion and sales		Other pharmaceutical		Vaccine promotion and sales		Vaccine supply chain		NT branded products production and sales		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
		(restated)		(restated)						(restated)		
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment revenue	**1,140,107**	766,437	**219,442**	211,411	**688,729**	356,788	**579,593**	1,167,767	**130,271**	165,575	**2,758,142**	2,667,978
Cost of sales	**(531,626)**	(416,394)	**(199,488)**	(190,367)	**(532,629)**	(220,917)	**(525,424)**	(1,081,478)	**(78,329)**	(95,619)	**(1,867,496)**	(2,004,775)
Reportable segment gross profit	**608,481**	350,043	**19,954**	21,044	**156,100**	135,871	**54,169**	86,289	**51,942**	69,956	**890,646**	663,203
Reportable segment operating profit/(loss)	**317,513**	156,043	**(135)**	2,425	**71,598**	64,888	**17,677**	44,970	**31,713**	46,528	**438,366**	314,854
Depreciation and amortisation for the year	**7,243**	4,499	**48**	374	**132**	278	**294**	300	**9,777**	6,574	**17,494**	12,025

14 SEGMENT REPORTING *(continued)*

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

	2011	2010
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**2,758,142**	2,667,978
Profit		
Reportable segment operating profit	**438,366**	314,854
Unallocated head office and corporate expenses	**(129,636)**	(96,163)
Other revenue	**38,947**	28,698
Other net income	**17,875**	8,148
Finance costs	**(58,083)**	(45,379)
Consolidated profit before taxation	**307,469**	210,158

15 FIXED ASSETS

The Group

	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

15 FIXED ASSETS *(continued)*

The Group *(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	—	—	(8)	(54)	(17)	(87)	—	(166)	—	(166)
Additions	1,824	4,332	—	4,583	1,229	578	7,831	20,377	—	20,377
Disposals	—	(912)	(24)	(2,380)	(1,095)	(864)	—	(5,275)	—	(5,275)
Transfers	1,637	—	—	—	—	—	(1,637)	—	—	—
At 31 December 2011	147,302	47,172	180	15,130	7,184	6,457	29,637	253,062	33,706	286,768
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	—	—	(6)	(17)	(12)	(46)	—	(81)	—	(81)
Charge for the year	6,872	4,206	38	1,964	808	1,161	—	15,049	764	15,813
Written back on disposal	—	(740)	(16)	(2,380)	(940)	(793)	—	(4,869)	—	(4,869)
At 31 December 2011	12,068	11,895	131	8,027	3,594	3,651	—	39,366	1,993	41,359
Net book value:										
At 31 December 2011	135,234	35,277	49	7,103	3,590	2,806	29,637	213,696	31,713	245,409

15 FIXED ASSETS *(continued)*

The Group *(continued)*

(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 31 December 2011, the remaining periods of the land use rights ranged from 39 to 46 years.

(b) As at 31 December 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 an aggregate net book value of RMB152,285,000 and RMB156,136,000 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.

16 INTANGIBLE ASSETS

The Group

	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

16 INTANGIBLE ASSETS *(continued)*

The Group *(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	—	—	—	—	(81)	—	(81)
Additions	—	—	—	20,000	—	163	20,163
At 31 December 2011	7,283	9,330	7,030	50,000	1,126	4,946	79,715
Accumulated amortisation:							
At 1 January 2011	3,640	9,330	—	7,000	—	2,489	22,459
Charge for the year	728	—	—	7,167	—	535	8,430
At 31 December 2011	4,368	9,330	—	14,167	—	3,024	30,889
Net book value:							
At 31 December 2011	2,915	—	7,030	35,833	1,126	1,922	48,826

(a) The Group reassessed the useful life of the GSP licence as at 31 December 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 31 December 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 the directors. A discount rate of 11.6% (2010: 14.2%) has been used in discounting the projected cash flows for the impairment test as at 31 December 2011.

16 INTANGIBLE ASSETS *(continued)*

The Group *(continued)*

(b) Club memberships represent the rights granted to use the club facilities over an indefinite period of time. Accordingly, no amortisation has been charged to profit or loss during the years ended 31 December 2011 and 2010.

(c) The amortisation charges during the years ended 31 December 2011 and 2010 are included in "distribution costs" and "administrative expenses" in the consolidated income statement.

17 GOODWILL

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost and carrying amount:		
At 1 January and 31 December	**1,250**	1,250

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
NT Tongzhou (BJ) Pharma Co., Ltd.	**769**	769
NT Tongzhou Pharma (SH) Co., Ltd.	**481**	481
	1,250	1,250

(Expressed in Renminbi unless otherwise indicated)

17 GOODWILL *(continued)*

Impairment tests for cash-generating units containing goodwill *(continued)*

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 31 December 2011 and 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 directors covering a five-year period and on the following principal assumptions:

	The Group	
	2011	2010
	%	%
NT Tongzhou (BJ) Pharma Co., Ltd.		
– Gross margin	**30.0 - 34.0**	42.0 - 42.9
– Growth rate	**5.0 - 10.0**	11.8 - 32.4
– Discount rate	**11.6**	14.2
NT Tongzhou Pharma (SH) Co., Ltd.		
– Gross margin	**16.8 - 17.0**	12.6 - 17.0
– Growth rate	**10.0 - 13.0**	14.4 - 18.1
– Discount rate	**11.6**	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 31 December 2011 and 2010.

18 INTEREST IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**414,120**	—
Amounts due from subsidiaries	**594,222**	—
	1,008,342	—

Amounts due from subsidiaries are unsecured, interest-free and not expected to be recovered within one year as at the balance sheet date.

Details of the Company's subsidiaries as at 31 December 2011 are as follows:

			Proportion of ownership interest			
Name of company	**Place of establishment/ incorporation**	**Particulars of issued and paid up/ registered capital**	**Group's effective interest**	**held by the Company**	**held by a subsidiary**	**Principal activities**
NT Pharma (Group) Co., Ltd.	BVI	9 shares of US$1 each	100%	100%	—	Investment holding
Kimford Investment Limited ("Kimford")	BVI	1 share of US$1	100%	—	100%	Investment holding
Goldwise Resources Limited	BVI	1 share of US$1	100%	—	100%	Investment holding
Tai Ning Pharmaceutical (Investment) Company Limited	BVI	1 share of US$1	100%	—	100%	Investment holding
Farbo Investment Limited	BVI	1 share of US$1	100%	—	100%	Investment holding
Humford Limited	BVI	1 share of US$1	100%	—	100%	Investment holding
NTP (China) Investment Co., Limited	Hong Kong	15,000,000 shares of HK$1 each	100%	—	100%	Investment holding
NT Pharma (HK) Limited	Hong Kong	2 shares of HK$1 each	100%	—	100%	Trading of prescription medicines
NT Pharma (SH) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	PRC	Registered capital of US$2,000,000	100%	—	100%	Sales of prescription medicines

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of establishment/ incorporation	Particulars of issued and paid up/ registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
NT Tongzhou (BJ) Pharma Co., Ltd. (泰凌同舟(北京)醫藥有限公司) (note (i))	PRC	Registered capital of 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	Registered capital of RMB20,000,000	100%	—	100%	Sales of prescription medicines and vaccines
NT Tongzhou Pharma Consulting (SH) Co., Ltd. (泰凌同舟醫藥諮詢(上海)有限公司)(note (i))	PRC	Registered capital of 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	Registered capital of 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	Registered capital of 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	Registered capital of RMB55,625,000	80%	—	80%	Manufacturing of prescription medicines
NT Pharma (China) Co., Ltd. (泰凌醫藥(中國)有限公司) (note (i))	PRC	Registered capital of US$29,000,000	100%	—	100%	Dormant
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司)(note (i))	PRC	Registered capital of RMB276,600,000	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	Registered capital of 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	Registered capital of US$30,070,000	100%	—	100%	Investment holding

18 INTEREST IN SUBSIDIARIES *(continued)*

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 RMB44,500,000, 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 ended 31 December 2011.

19 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**8,626**	7,397
Work in progress	**1,164**	1,502
Finished goods	**345,842**	518,100
Low value consumables	**41**	55
	355,673	527,054

As at 31 December 2011, certain banking facilities of the Group were secured by the Group's inventories amounting to RMB59,728,000 (2010: RMB52,971,000) (see note 24).

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

	2011	2010
	RMB'000	RMB'000
Carrying amount of inventories sold	**1,841,126**	1,977,308
Write-down of inventories	**4,220**	5,114
	1,845,346	1,982,422

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors and bills receivable	**2,179,049**	1,579,305	**—**	—
Less: Allowance for doubtful debts (note 20(b))	**(39,665)**	(12,595)	**—**	—
	2,139,384	1,566,710	**—**	—
Deposits, prepayments and other receivables	**264,048**	170,837	**72**	—
Amount due from a related company	**6,000**	52	**—**	—
Amount due from a director	**—**	614	**—**	—
	2,409,432	1,738,213	**72**	—

As at 31 December 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 (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 31 December 2011, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to RMB59,825,000 (2010: RMB366,694,000) (see note 24).

20 TRADE AND OTHER RECEIVABLES *(continued)*

(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:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**1,356,512**	886,616
More than 3 months but within 6 months	**318,312**	319,321
More than 6 months but within 1 year	**202,830**	149,300
More than 1 year but within 2 years	**223,624**	207,109
More than 2 years	**38,106**	4,364
	2,139,384	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 30(a).

20 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(j)(i)).

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

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**12,595**	13,268
Impairment loss recognised during the year	**27,535**	3,109
Uncollectible amount written off	**(465)**	(3,782)
At 31 December	**39,665**	12,595

At 31 December 2011, the Group's trade debtors and bills receivable of RMB90,744,000 (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 RMB39,665,000 (2010: RMB12,595,000) was recognised as at 31 December 2011. The Group does not hold any collateral over these balances.

20 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:

	The Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**1,343,541**	918,233
Less than 3 months past due	**336,610**	298,448
More than 3 months but less than 6 months past due	**116,961**	87,997
More than 6 months but less than 1 year past due	**188,016**	214,658
Over 1 year past due	**103,177**	42,428
	744,764	643,531
	2,088,305	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 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 certain debtors, which have debts aged over one year as at 31 December 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.

21 PLEDGED BANK DEPOSITS

Bank deposits of the Group of RMB112,103,000 (2010: RMB47,080,000) have been pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB317,443,000 (2010: RMB163,712,000) as at 31 December 2011 (see note 24).

22 CASH AT BANK AND IN HAND

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**373,755**	154,913	**305,250**	—
Bank overdrafts (note 24)	**—**	(5,103)	**—**	—
			305,250	—
Cash and cash equivalents in the consolidated cash flow statement	**373,755**	149,810		

As at 31 December 2011, the Group's cash and bank balances placed with banks in the PRC amounted to RMB66,834,000 (2010: RMB149,785,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors and bills payable	**707,095**	781,891	**—**	—
Other payables and accrued charges	**161,013**	121,194	**3,040**	—
Construction payables	**15,694**	18,724	**—**	—
Receipts in advance	**11,330**	13,786	**—**	—
Amounts due to related companies	**7,470**	422,675	**—**	—
	902,602	1,358,270	**3,040**	—

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:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months or on demand	**457,127**	481,471
More than 3 months but within 6 months	**138,121**	224,312
More than 6 months but within 1 year	**43,290**	6,332
More than 1 year	**68,557**	69,776
	707,095	781,891

24 BANK LOANS AND OVERDRAFTS

As at 31 December 2011, the bank loans and overdrafts were repayable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 1 year or on demand	**526,253**	833,687

As at 31 December 2011, the bank loans and overdrafts were secured as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Bank overdrafts (note 22)		
– Unsecured	**—**	5,103
Bank loans		
– Secured	**129,753**	310,579
– Unsecured	**396,500**	518,005
	526,253	828,584
	526,253	833,687

24 BANK LOANS AND OVERDRAFTS *(continued)*

At 31 December 2011, the banking facilities of the Group amounting to RMB712,380,000 (2010: RMB646,380,000), which were utilised to the extent of RMB129,753,000 (2010: RMB310,579,000), were secured by certain assets of the Group as set out below:

	The Group	
	2011	2010
	RMB'000	RMB'000
Fixed assets	**—**	186,372
Inventories	**59,728**	52,971
Trade and other receivables	**59,825**	366,694
Pledged bank deposits	**37,839**	25,189
	157,392	631,226

At 31 December 2011, certain banking facilities of the Group amounting to RMB735,000,000 were secured by a corporate guarantee given by NT Pharma (Holdings) Company Limited ("NT Holdings"), the 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 certain directors of the Company, 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 30(c).

25 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.

26 AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary was unsecured, interest free and repayable on demand.

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Provision for Hong Kong Profits Tax	**10,881**	7,217
Provision for PRC income tax	**74,758**	44,724
	85,639	51,941

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the 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	**(175)**	**(6,573)**	**(10,950)**	**(17,698)**
At 31 December 2011	**2,486**	**(12,492)**	**(10,950)**	**(20,956)**

Reconciliation to the consolidated balance sheet

	The Group	
	2011	2010
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated balance sheet	**(22,191)**	(5,919)
Net deferred tax liabilities recognised in the consolidated balance sheet	**1,235**	2,661
	(20,956)	(3,258)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(q), the Group did not recognise deferred tax assets in respect of unused tax losses of RMB33,683,000 (2010: RMB75,192,000) as at 31 December 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 31 December 2011, tax losses of RMB829,000, RMB6,787,000, RMB3,600,000, RMB7,158,000 and RMB14,561,000 will expire in 2012, 2013, 2014, 2015 and 2016 respectively, while the remaining tax losses of RMB748,000 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 31 December 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 RMB507,495,000 (2010: RMB389,718,000).

28 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.

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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

Date	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
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)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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

	2011		2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**US$0.20**	**44,957,195**	US$0.20	29,003,915
Granted during the year	**—**	**—**	US$0.20	21,023,966
Forfeited during the year				
– Unvested	**US$ 0.20**	**(4,018,006)**	US$0.20	(5,070,686)
– Vested	**US$ 0.20**	**(1,384,002)**	—	—
Outstanding at the end of the year	**US$0.20**	**39,555,187**	US$0.20	44,957,195
Exercisable at the end of the year	**US$0.20**	**20,007,234**	US$0.20	8,206,171

No share options were exercised during the years presented.

The share options outstanding at 31 December 2011 had a weighted average remaining contractual life of 8 years (2010: 9 years).

(Expressed in Renminbi unless otherwise indicated)

28 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$0.20	US$0.20	US$0.20	US$0.20	US$0.20	US$0.20	HK$3.18 (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.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29 (d)(ii))	Other reserve RMB'000 (Note 29 (d)(v))	Capital reserve RMB'000 (Note 29 (d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2010	—	—	—	—	—	—	—
Changes in equity for 2010:							
Loss and total comprehensive income for the year	—	—	—	—	—	(3)	(3)
Balance at 31 December 2010	—	—	—	—	—	(3)	(3)

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Movements in components of equity *(continued)*

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29 (d)(ii))	Other reserve RMB'000 (Note 29 (d)(v))	Capital reserve RMB'000 (Note 29 (d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2011	—	—	—	—	—	(3)	(3)
Changes in equity for 2011:							
Loss for the year	—	—	—	—	—	(14,104)	(14,104)
Other comprehensive income	—	—	(32,811)	—	—	—	(32,811)
Total comprehensive income	—	—	(32,811)	—	—	(14,104)	(46,915)
Shares issued pursuant to the Reorganisation	1	—	—	383,379	28,922	—	412,302
Shares issued under placing and public offering, net of share issuance expenses	—	933,786	—	—	—	—	933,786
Equity-settled share-based transactions	—	—	—	—	11,454	—	11,454
Forfeiture of vested share options	—	—	—	—	(1,426)	1,426	—
Balance at 31 December 2011	1	933,786	(32,811)	383,379	38,950	(12,681)	1,310,624

(b) Dividend

No dividend was declared or paid by the Company during the year ended 31 December 2011.

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

A summary of movements in the Company's issued share capital during the years ended 31 December 2011 and 2010 are as follows:

	2011		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 pursuant to the Reorganisation (note (iii))	**811,438**	**1**	—	—
Shares issued under placing and public offering (note (iv))	**270,479**	**—**	—	—
At 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 7 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 RMB383,380,000. 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 such 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 Company's other reserve (note 29(d)(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 31 December 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.

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) 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 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(t).

(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.

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(v) Other reserve

The Company's other reserve arose from the transfer of the entire equity interest in NT Group from NT Holdings to the Company (see note 29(c)(iii)).

The Group's other reserve arose from the capitalisation of the amount due to NT Holdings as a result of the Reorganisation and represents the difference between the amount due to NT Holdings of RMB383,380,000 and the nominal value of the shares of the Company issued in exchange thereof.

(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(p)(ii).

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB921,105,000 (2010: Nil).

(f) 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 31 December 2011 and 2010 was 14.7% and 30.5% respectively.

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

30 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 20.

At 31 December 2011, the Group has a certain concentration of credit risk as 3.3% (2010: 5.0%) of the total trade receivables were due from the Group's largest customer, and 20.5% (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.

30 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 and the Company 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):

The Group

	2011					2010				
	Scheduled undiscounted cash outflow					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 as at 31 December 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 as at 31 December RMB'000
Bank loans	**538,726**	**–**	**–**	**538,726**	**526,253**	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.

(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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company'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:

The Group

	2011		2010	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Net fixed rate borrowings:				
Bank loans	**5.07% to 7.20%**	**324,553**	2.05% to 6.12%	690,914
Other loan	**—**	**—**	4.86%	6,500
		324,553		697,414
Less: Pledged bank deposits	**3.10% to 3.30%**	**(16,533)**	0.75% to 2.22%	(36,845)
Cash at bank and in hand	**0.15% to 3.10%**	**(5,088)**	—	—
		302,932		660,569
Net variable rate deposits:				
Bank loans and bank overdrafts	**7.02% to 7.35%**	**201,700**	2.11% to 6.39%	142,773
Less: Pledged bank deposits	**0.50%**	**(95,570)**	0.01% to 1.91%	(10,235)
Cash at bank and in hand	**0.01% to 0.50%**	**(368,547)**	0.01% to 0.36%	(154,913)
		(262,417)		(22,375)
Total net interest-bearing liabilities		**40,515**		638,194

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile *(continued)*

The Company

	2011		2010	
	Effective interest rate	**Amount**	Effective interest rate	Amount
		RMB'000		RMB'000
Variable rate deposits:				
Cash at bank and in hand	**0.01% - 0.5%**	**305,250**	—	—

(ii) Sensitivity analysis

At 31 December 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 RMB492,000 (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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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 British 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 and the Company'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 the year end date. Differences resulting from the translation of the financial statements of non-PRC group entities into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in Renminbi)			
	2011		2010	
	USD	**GBP**	USD	GBP
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**34,541**	**—**	—	—
Pledged bank deposits	**3,526**	**—**	25,119	—
Cash at bank and in hand	**16,534**	**—**	5,199	—
Trade and other payables	**(13,963)**	**(66,109)**	(22,746)	(69,557)
Bank loans	**(31,505)**	**—**	(72,706)	—
	9,133	**(66,109)**	(65,134)	(69,557)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk *(continued)*

The Company

	Exposure to foreign currencies (expressed in Renminbi)	
	2011	2010
	Renminbi	Renminbi
	RMB'000	RMB'000
Cash at bank and in hand	**305,035**	—

(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.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits
		RMB'000		RMB'000
USD	**5%**	**342**	5%	(2,443)
	(5)%	**(342)**	(5)%	2,443
GBP	**5%**	**(2,479)**	5%	(2,608)
	(5)%	**2,479**	(5)%	2,608

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis *(continued)*

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 31 December 2011 and 2010.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the consolidated financial statements were as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Contracted for	**3,680**	10,883

31 COMMITMENTS *(continued)*

(b) At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**10,603**	6,369
After 1 year but within 5 years	**12,590**	3,340
	23,193	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.

32 CONTINGENT LIABILITIES

As at 31 December 2011, the Company had the following contingent liabilities in respect of:

(a) Guarantee of RMB135,000,000 (2010: Nil) given to a bank to secure a facility granted to a subsidiary. The facility had not been utilised at the balance sheet date.

(b) Guarantee given to a supplier to guarantee the performance of obligation by a subsidiary under a distribution agreement. No amount was due under the agreement (2010: Nil) at the balance sheet date.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. No provision was therefore made in this respect at 31 December 2011 and 2010.

The Company has not recognised any deferred income in respect of the guarantees given their fair value cannot be reliably measured and their transaction price was Nil.

33 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 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 Pharma
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.

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

(a) Transactions with related parties

	2011	2010
	RMB'000	RMB'000
Purchases of goods from Suzhou No. 4 Pharmaceutical Factory	**11,712**	13,106

(b) Key management personnel remuneration

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

	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**9,651**	10,086
Equity-settled share-based payment expenses	**9,233**	13,421
	18,884	23,507

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

33 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

At 31 December 2011, the Group had the following balances with related parties:

	2011	2010
	RMB'000	RMB'000
Amount due from a related company		
– NT Holdings	**—**	52
– Suzhou Pharmaceutical (Group) Co., Ltd.	**6,000**	—
Amount due from a director	**—**	614
Amounts due to related companies		
– NT Holdings	**—**	415,955
– Suzhou No. 4 Pharmaceutical Factory	**7,470**	6,720
	7,470	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.

The amount due from Suzhou Pharmaceutical (Group) Co., Ltd. represents the deposits paid for the acquisition of the remaining 20% equity interest in Suzhou First Pharma (see note 34).

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.

33 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

	2011	2010
	RMB'000	RMB'000
Mr. Ng Tit and Ms. Chin Yu	**—**	317,775

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

	2011	2010
	RMB'000	RMB'000
NT Holdings	**135,000**	242,775

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Group reached an agreement with Suzhou Pharmaceutical (Group) Co., Ltd under which the Group agreed to purchase the remaining 20% equity interest in Suzhou First Pharma for a consideration of RMB60,000,000. Upon completion of this transaction, Suzhou First Pharma will become a wholly-owned subsidiary of the Group. The transaction is expected to be completed on or before 30 August 2012.

(b) Pursuant to the Board resolution dated 11 January 2012, the Company has adopted a Share Award Scheme. Under the scheme, certain employees of the Group may be awarded the Company's ordinary shares as an incentive for them to remain with the Group to help further the operations and development of the Group. The principal terms of the Share Award Scheme are set out in the Company's announcement dated 11 January 2012 which is available on the website of the Stock Exchange. No shares have been awarded under the Share Award Scheme up to the date of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 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 ended 31 December 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosure – Transfer of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27 (2011), *Separate financial statements*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015

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.

Definitions of Terms

"Board"	the Board of Directors
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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

Definitions of Terms

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"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.
"SFDA"	State Food and Drug Administration of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"Share(s)"	ordinary share with nominal value of US$0.00000008 each in the share capital of the Company
"Suzhou First"	Suzhou First Pharmaceutical Co., Ltd. (蘇州第壹製藥有限公司)
"Suzhou Fourth"	Suzhou No. 4 Pharmaceutical Factory(蘇州第四製藥有限公司), a company wholly owned by Suzhou Group.

Information for Shareholders

STOCK CODE

SEHK 1011
Bloomberg 1011:HK
Reuters 1011.HK

INVESTOR RELATIONS CONTACT

Investors, shareholders and research analysts may contact the Investor Relations Department
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FINANCIAL CALENDAR

Interim results announcement	17 August 2011
Annual results announcement	20 March 2012
Annual report sent to shareholders	12 April 2012
Closure of register of members *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	22 to 25 May 2012 (both days inclusive)
Annual General Meeting	25 May 2012

ANNUAL REPORT

Printed in English and Chinese, available on our website at www.ntpharma.com by 10 April 2012.

Those shareholders who received our annual 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 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.