



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

Stock Code: 01011



2012

Interim Report



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Board of Directors and Board Committees

BOARD OF DIRECTORS

Executive Director

Mr. NG Tit (*Chairman and Chief Executive 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

BOARD COMMITTEES

Audit Committee

Mr. Patrick SUN (*Chairman*)
Mr. Yue Nien Martin TANG
Dr. Lap-Chee TSUI

Remuneration Committee

Mr. Yue Nien Martin TANG (*Chairman*)
Mr. Patrick SUN
Mr. NG Tit

Nomination Committee

Mr. NG Tit (*Chairman*)
Mr. Patrick SUN
Mr. Yue Nien Martin TANG

Corporate Information

COMPANY SECRETARY

Ms. MOK Ming Wai

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW

Freshfields Bruckhaus Deringer

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, KY1-1111
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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of Communications Limited
The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Everbright Bank Co., Limited
China Merchants Bank Co., Limited
Shanghai Pudong Development Bank Co., Limited
Shanghai Rural Commercial Bank Co., Limited

INVESTOR RELATIONS

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COMPANY'S WEBSITE

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STOCK CODE

1011

Financial Highlights

A summary of main financial data of China NT Pharma Group Company Limited (“NT Pharma” or the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012 is set out below:

	For the six months ended 30 June		
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)	% Change
Revenue	523,655	983,040	-46.7%
Gross profit	222,988	288,635	-22.7%
(Loss) profit from operations	(55,470)	52,176	-206.3%
(Loss) profit attributable to owners of the Company	<u>(61,525)</u>	<u>11,107</u>	<u>-653.9%</u>
(Loss) earnings per share (RMB cents)			
Basic	(5.69)	1.21	-570.2%
Diluted	<u>(5.69)</u>	<u>1.18</u>	<u>-582.2%</u>

The board of directors (the “Directors”) of the Company (the “Board”) did not recommend the payment of an interim dividend for the six months ended 30 June 2012.

Management Discussion and Analysis

1. OVERVIEW

NT Pharma is a leading third-party pharmaceutical and vaccine promotion and sales services provider in China. The Group's history dates back to 1995 and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 20 April 2011. NT Pharma has an extensive third-party promotion network covering more than 4,000 hospitals in China. The Group also has its own manufacturing capabilities through its wholly-owned subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First") which is GMP-certified and has obtained approvals from the State Food and Drug Administration of China (the "SFDA") for 175 drug licenses to manufacture and sell pharmaceutical products.

2012 has proved to be a highly challenging year for the Group thus far. The foreign vaccine manufacturers continue to be severely impacted by the new China pharmacopeia since its inception on 1 July 2010. At the same time, the Chinese government has been intensifying regulatory controls on the distribution, transportation and storage of vaccines, which created tremendous pressure on the industry operators. The Chinese government had also altered the funding methods of the local Centers for Disease Control and Prevention ("CDCs"), which led to increased difficulties in cash collection by vaccine suppliers from these CDCs. As a result, the Group's vaccine supply chain and promotion business units had to face issues such as shrinking margins, slow-moving inventories and long receivables. The situation was further exacerbated by the withdrawal of several key vaccine products by the Group's suppliers from the China market, leaving the Group with a significantly reduced product portfolio in its vaccine promotion business unit. As there was no indication of these adverse operating conditions abating in the near future, the Group started to gradually exit from the low-margin supply chain businesses and downsized its vaccine sales and promotion team during the first half of 2012. Due to substantially reduced sales from its supply chain and vaccine promotion businesses, the overall revenue of the Group for the period decreased by 46.7% from approximately RMB983.0 million to approximately RMB523.7 million. The Group also made increased provisions for doubtful debts and inventories of RMB33.5 million for the vaccine business, as well as incurred RMB23.8 million of staff retrenchment costs in downsizing its vaccine sales and promotion team. As a result, the Group reported a net loss of approximately RMB61.5 million for the six months ended 30 June 2012 compared to a net profit of approximately RMB11.1 million for the corresponding period in 2011. Despite the negative impact on short-term earnings, the Group believes that the restructuring exercise, which is expected to be completed before the end of this year, will enhance the overall profit margin and improve the working capital position of the Group in the long run.

Management Discussion and Analysis

2. BUSINESS REVIEW

The Group currently operates three major business segments, namely 1) third-party pharmaceutical promotion and sales, 2) proprietary products production and sales and 3) third-party vaccines and other pharmaceuticals.

Third-party Pharmaceutical Promotion and Sales

Third-party pharmaceutical promotion and sales will be the core business of the Group going forward, as the Group gradually exits from the vaccine and pharmaceutical supply chain businesses and downsizes its vaccine sales and promotion team.

During the six months ended 30 June 2012, the revenue of Fortum, a key product of the business segment, increased by RMB10.4 million or 5.4% to RMB201.6 million, accounting for 45.5% of the segment's total sales for the period, as compared with RMB191.2 million or 62.8% of the segment's total sales for the corresponding period in 2011.

The revenue of Libod, another key product of the business segment, increased by RMB26.2 million or 98.2% to RMB52.8 million, accounting for 11.9% of the segment's total sales for the six months ended 30 June 2012, as compared with RMB26.6 million or 8.8% of the segment's total sales for the corresponding period in 2011.

The product range of the third-party pharmaceutical promotion and sales business was further expanded during the six months ended 30 June 2012. The Group added 9 new products to the business segment, thus increasing the total number of products in the portfolio to 61 products relating to oncology, Central Nervous System ("CNS"), anti-infectives and dermatology. Furthermore, the Group introduced new initiatives to diversify its mode of sales by adding external alliance ("EA") products and over-the-counter ("OTC") products during the reporting period. EA products are products which the Group jointly promotes with other smaller local promotion and sales companies in China. These products are used mainly in the fields relating to CNS and oncology. OTC products consist mainly of dermatological products which are targeted at community hospitals and retail pharmacies. The Group believes that these new initiatives will create growth opportunities in the future.

In the first half of 2012, the Group's sales network increased by approximately 200 hospitals from over 3,800 hospitals at the end of 2011 to over 4,000 hospitals as at 30 June 2012. The Group strives to continue to expand its market share by increasing its hospital penetration rate.

Management Discussion and Analysis

Proprietary Products Production and Sales

Proprietary products of the Group are produced by Suzhou First and comprise of Shusi, an atypical antipsychotic drug, as well as a wide range of other drugs. During the six months ended 30 June 2012, Shusi accounted for 22.9% of the segment's total sales, as compared to 29.6% for the corresponding period in 2011.

In February 2012, NT Pharma announced the acquisition of the remaining 20% equity interests in Suzhou First, which would make it a wholly-owned subsidiary of the Company. For details, please refer to the Company's announcement of "Discloseable Connected Transaction – Acquisition of the Remaining 20% Equity Interest in Suzhou First Pharmaceutical Co., Ltd" published on the website of the HKSE on 24 February 2012. The acquisition was completed in July 2012. As of today, Suzhou First has obtained approvals from the SFDA for 175 drugs licenses to manufacture and sell pharmaceutical products, used in areas such as CNS and anti-infectives. Located in the Suzhou Industrial Park, the 150-hectare manufacturing base is 2010 GMP-certified and was built in accordance with the standards of the U.S. Food and Drug Administration and the European Union.

Third-Party Vaccines and Other Pharmaceuticals

Third-party vaccines and other pharmaceuticals business segment includes sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain.

With a view to enhancing the Group's competitiveness and improving its cash flow, the Group began to restructure its business model during the first half of 2012 by gradually exiting from its vaccine and pharmaceutical supply chain businesses, downsizing its vaccine sales and promotion team and focusing on its third-party pharmaceutical promotion and sales business which has higher margins and returns. As a result, revenue from the third-party vaccines and other pharmaceuticals business decreased by 96.0% in the six months ended 30 June 2012. The Group expects to complete this restructuring exercise during the second half of 2012.

Management Discussion and Analysis

3. PROSPECTS AND OUTLOOK OF THE COMPANY

The Chinese government continues to commit resources to and invest in the healthcare sector in 2012 as part of its long-term healthcare reform plan. Although the healthcare reform may lead to uncertainties and may have an adverse impact on the healthcare industry in the near future, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favorable factors including the size of the overall Chinese population of which an increasing proportion is aging, the Chinese government's commitment to improving access to healthcare services and better affordability from rising disposable income.

With the Chinese government imposing more control measures on the healthcare sector, the Group has redefined its long term growth strategies in accordance with the changing landscape of the industry. In order to enhance the Group's competitiveness and to improve cash flow, the Group implemented a major restructuring of its business units during the first half of 2012, which involved a gradual exit from its vaccine and pharmaceutical supply chain businesses and downsizing of its vaccine sales and promotion team. Going forward, the Group will focus on the higher margin third-party pharmaceutical promotion and sales business and adopt strategies to further diversify its product portfolio with particular emphasis on oncology, CNS and anti-infectives. Furthermore, the Group will continue to enhance its sales network by extending its footprint into community hospitals and retail pharmacies as well as collaborating with local promotion and sales companies with proven track records to further expand market coverage.

Besides third-party pharmaceutical products, the Group also acknowledges the importance of proprietary products in its long-term strategic plan. As such, the Group will continue to enhance the core manufacturing and research and development capabilities of Suzhou First.

In the second half of 2012, the Group will continue to search for acquisition targets as well as potential strategic collaboration opportunities. In particular, the Group's priority is to identify strategic investment opportunities which will complement and expand its existing product portfolio and market coverage. The Group endeavours to maintain stable growth of its major products and strengthen the promotion of new products in order to enhance the competitiveness of the Group's product portfolio.

As market conditions are expected to remain challenging in the second half of the year, the overall operating results of the Group in 2012 will continue to be under pressure. In the long term, however, the Group remains cautiously optimistic towards the development of the Chinese pharmaceutical market. The Group will strive to overcome market challenges by adopting its competitive strengths to implement future development strategies in a proactive yet pragmatic approach. At the same time, the Group will also closely monitor the trends of the Chinese pharmaceutical market and the directions of related government policies in China. The Group remains confident in its ability to overcome these challenges and will continue to bolster its competitive position in the Chinese pharmaceutical market.

Management Discussion and Analysis

4. HUMAN RESOURCES

As at 30 June 2012, the Group had 1,015 full-time employees (2011: 1,190 employees). For the six months ended 30 June 2012, the Group's total cost on remuneration, welfare and social security amounted to RMB80,193,000 (2011: RMB80,662,000).

The remuneration structure of the Group is based on employee performance, local consumption level and prevailing conditions in the human resources market. Directors' remuneration is determined with reference to each Director's experience, responsibilities and prevailing market standards.

5. FINANCIAL REVIEW

Revenue

Total revenue for the six months ended 30 June 2012 decreased by RMB459.4 million or 46.7% to RMB523.7 million, as compared to RMB983.0 million for the six months ended 30 June 2011. The decrease was primarily due to the decrease in revenue from the third-party vaccines and other pharmaceuticals business as well as the proprietary products production and sales business.

The following table sets forth a breakdown of the Group's revenue by reportable segment for the six months ended 30 June 2012:

Breakdown of Reportable Segment Revenue

	For the six months ended 30 June				
	2012		2011		% Change
	Revenue RMB'000 (Unaudited)	% of total revenue	Revenue RMB'000 (Audited)	% of total revenue	
Third-party pharmaceutical promotion and sales	442,976	84.6%	304,382	31.0%	+45.5%
Proprietary products production and sales	56,112	10.7%	62,044	6.3%	-9.6%
Third-party vaccines and other pharmaceuticals	24,567	4.7%	616,614	62.7%	-96.0%
Total	<u>523,655</u>	<u>100.0%</u>	<u>983,040</u>	<u>100.0%</u>	<u>-46.7%</u>

Revenue from third-party pharmaceutical promotion and sales increased by RMB138.6 million or 45.5% to RMB443.0 million, accounting for 84.6% of total revenue in the first six months of 2012, as compared with RMB304.4 million or 31.0% of the Group's total revenue for the six months ended 30 June 2011. The increase in revenue from third-party pharmaceutical promotion and sales was primarily due to increased usage of the Group's products by existing hospital customers, increase in new hospital customers and strong performance of Fortum and Libod.

Management Discussion and Analysis

Revenue from proprietary products production and sales decreased by RMB5.9 million or 9.6% to RMB56.1 million, accounting for 10.7% of total revenue in the first six months of 2012, as compared with RMB62.0 million or 6.3% of the Group's total revenue for the six months ended 30 June 2011. The decrease in revenue from proprietary products production and sales was primarily due to a decrease in sales of Shusi and the Chinese government's lowering of generic drug prices.

Revenue from third-party vaccines and other pharmaceuticals decreased by RMB592.0 million or 96.0% to RMB24.6 million, accounting for 4.7% of total revenue in the first six months of 2012, as compared with RMB616.6 million or 62.7% of the Group's total revenue for the six months ended 30 June 2011. The decrease in revenue from third-party vaccines and other pharmaceuticals was primarily due to the Group's decision to gradually exit from the vaccine and pharmaceutical supply chain businesses as well as to downsize its vaccine sales and promotion team.

Cost of Sales

Cost of sales decreased by RMB393.7 million or 56.7% to RMB300.7 million for the six months ended 30 June 2012, as compared to RMB694.4 million for the six months ended 30 June 2011. The decrease in cost of sales was primarily due to a decrease in cost of sales in the third-party vaccines and other pharmaceuticals business as the Group was gradually exiting from the vaccine and pharmaceutical supply chain businesses as well as downsizing its vaccine sales and promotion business.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB65.6 million or 22.7% to RMB223.0 million for the six months ended 30 June 2012, as compared to RMB288.6 million for the corresponding period in 2011.

Gross profit margin increased by 13.2 percentage points to 42.6% for the six months ended 30 June 2012 as compared to 29.4% for the corresponding period in 2011.

Management Discussion and Analysis

Segment Operating (Loss) Profit

Total segment operating loss was RMB4.3 million for the six months ended 30 June 2012 as compared to the total segment operating profit of RMB87.3 million for the six months ended 30 June 2011.

The following table sets forth a breakdown of the Group's operating profit by reportable segment for the six months ended 30 June 2012:

Breakdown of Reportable Segment Operating (Loss) Profit

	For the six months ended 30 June		
	2012 RMB'000	2011 RMB'000	% Change
Third-party pharmaceutical promotion and sales	59,112	56,468	+4.7%
Proprietary products production and sales	4,885	12,466	-60.8%
Third-party vaccines and other pharmaceuticals <i>(Note 1)</i>	(68,300)	18,402	-471.2%
Total	<u>(4,303)</u>	<u>87,336</u>	<u>-104.9%</u>

Note:

1) Stated after charges of RMB57.3 million for doubtful debts, inventories and staff retrenchment.

(Loss) Profit Attributable to Owners of the Company

Loss attributable to owners of the Company was RMB61.5 million for the six months ended 30 June 2012 as compared to a profit of RMB11.1 million for the six months ended 30 June 2011. The loss was primarily attributable to the third party vaccines and other pharmaceuticals business due to the reasons explained above.

Basic (Loss) Earnings Per Share

Basic loss per share was RMB5.69 cents for the six months ended 30 June 2012, as compared to basic earnings per share of RMB1.21 cents for the corresponding period in 2011.

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB5.3 million or 16.1% to RMB27.7 million for the six months ended 30 June 2012, as compared to RMB33.0 million for the same period in 2011. The decrease was mainly due to a reduction in interest rate during the period.

Capital Expenditure

Total capital expenditure decreased by RMB2.1 million or 5.8% to RMB33.9 million for the six months ended 30 June 2012, as compared to RMB36.0 million for the same period in 2011. The capital expenditure was used mainly for the purchase of office space, the construction of warehouse and the purchase of production machinery.

Management Discussion and Analysis

Taxation

Income tax credit was RMB21.6 million for the six months ended 30 June 2012 as compared to an income tax expense of RMB8.1 million for the same period in 2011. The income tax credit was mainly due to the temporary differences arising from provisions made and deferred taxation assets recognized.

Use of Proceeds from Listing

The shares of the Company were listed on the HKSE on 20 April 2011. The net proceeds received by the Company from the listing amounted to approximately RMB933.8 million. In the prospectus of the Company dated 8 April 2011 (the "Prospectus"), it was stated that approximately 25% of the net proceeds would be used for upgrading and expanding its infrastructure, including further investments in the advanced cold chain technology and equipment. However, as the Group decided to exit the vaccine supply chain business, there will be no further investment in cold chain technology and equipment. As a result, the Group intends to apply the unutilized amount to other areas of development including expanding product portfolio, purchasing imported pharmaceutical products and general working capital.

As at 30 June 2012, the balance of proceeds amounted to approximately RMB352.6 million and the use of proceeds can be summarized as follows.

	As at 30 June 2012
	RMB'000
Expanding distribution network and promotion teams	98,120
Infrastructure, information technology and logistics	20,000
Product portfolio expansion	184,032
Purchasing imported vaccines or pharmaceutical products and general working capital	234,056
Loan settlement	45,000
	<hr/>
Total	<u>581,208</u>

Management Discussion and Analysis

6. LIQUIDITY AND FINANCIAL RESOURCES

General Policies

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

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales and purchases made by the Group's Hong Kong and PRC subsidiaries in U.S. dollars and Pounds Sterling. In addition, certain bank loans are denominated in U.S. dollars. During the six months ended 30 June 2012, the Group recorded a net exchange loss of RMB6.4 million, as compared to a net exchange gain of RMB5.0 million for the corresponding period in 2011. Presently, the Group does not employ any financial instruments for hedging against foreign currency exposures.

Interest Rate Exposure

The Group's 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. Presently, the Group does not employ any financial instruments to hedge against interest rate exposures.

Group Debt and Liquidity

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Total debt	770,640	526,253
Cash and cash equivalent	(655,189)	(485,858)
Net debt	<u>115,451</u>	<u>40,395</u>

Management Discussion and Analysis

Gearing Ratio

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.

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Total debt	770,640	526,253
Total assets	3,508,146	3,571,036
Gearing ratio (%)	22.0%	14.7%

Charges on the Group's Assets

As at 30 June 2012, bank deposits of the Group of RMB98.3 million (31 December 2011: RMB112.1 million) have been pledged to banks to secure certain bank loans and bills payable amounting to a total of RMB241.5 million (31 December 2011: RMB317.4 million). As at 30 June 2012, certain banking facilities of the Group were also secured by the Group's inventories and trade and other receivables amounted to RMB123.9 million (31 December 2011: RMB119.5 million).

Capital Commitments

(a) Capital commitments outstanding as at 30 June 2012 not provided for were as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Contracted for	63,680	3,680

Management Discussion and Analysis

- (b) As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within 1 year	8,901	10,603
After 1 year but within 5 years	8,664	12,590
	<u>17,565</u>	<u>23,193</u>

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 between one to three years. None of the leases include contingent rentals.

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Other Information

1. PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme ("Pre-IPO Share Option Scheme") on 7 April 2011. Under the Pre-IPO Share Option Scheme, the Company had 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 30 June 2012, no further option has been granted under the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII of the Prospectus. A total number of 10,138,257 options were lapsed and 40,000 options were exercised during the six months ended 30 June 2012.

As at 30 June 2012, options to subscribe for an aggregate of 29,376,930 shares of the Company were outstanding and these options relate to the options granted to one Director and employees of the Company.

1) Director of the Company

	Date of grant	Option period	Exercise price	Number of share options			Balance as at 30/6/2012	Approximate percentage to the issued share capital
				Balance as at 1/1/2012	Exercised during the period	Lapsed/ cancelled during the period		
Ng Yuk Keung (Note 3)	1/3/2010	1/3/2010 - 1/3/2020	US\$0.20	2,400,000	-	800,000	1,600,000 (Note 1)	0.15%
	1/7/2010	1/7/2010 - 1/7/2020	US\$0.20	3,227,325	-	2,151,550	1,075,775 (Note 2)	0.10%

Notes:

- 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.
- 3) Mr. Ng Yuk Keung resigned as Director on 1 July 2012.

Other Information

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 30/6/2012	Approximate percentage to the issued share capital
				Balance as at 1/1/2012	Exercised during the period	Lapsed/cancelled during the period		
Employees	18/9/2009	18/9/2009 –18/9/2019	US\$0.20	20,466,517	40,000	2,879,355	17,547,162 (Note 1)	1.62%
	28/1/2010	28/1/2010 –28/1/2020	US\$0.20	9,438,670	–	2,524,461	6,914,209 (Note 2)	0.64%
	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	–	782,891	739,784 (Note 4)	0.07%
	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	0 (Note 6)	0.00%
	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 initial public offering.

Other Information

2. SHARE AWARD SCHEME

The Company adopted the share award scheme (the “Share Award Scheme”) on 11 January 2012. The purposes of the Share Award Scheme are to recognize the contribution made by certain employees of the Group and to provide eligible employees with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

As at 30 June 2012, the trustee of the Share Award Scheme held a total of nil shares and nil shares were granted under the Share Award Scheme.

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the HKSE under the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), were as follows:

1) Long positions in the shares of the Company

Name of Director	Number of shares of the Company				Approximate percentage of interest in the Company
	Personal interests	Family interests	Corporate interests	Other interests	
Ng Tit	500,000 (Note 1)	–	505,062,500 (Note 2)	–	46.68%
Chin Yu	500,000 (Note 1)	–	505,062,500 (Note 2)	–	46.68%

Notes:

- 1) Jointly owned by Mr. Ng Tit and his spouse, Ms. Chin Yu.
- 2) An aggregate of 505,062,500 shares is beneficially owned by Golden Base Investment Limited (“Golden Base”). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.

2) Long positions in the underlying shares of the Company

Under the Pre-IPO Share Option Scheme, one Director was granted share options to subscribe for the shares of the Company, details of which as at 30 June 2012 were as follows:

Name of Director	Date of grant	Option period	Exercise price	Number of share options			Balance as at 30/6/2012	Approximate percentage of interest in the Company
				Balance as at 1/1/2012	Exercised during the period	Lapsed/cancelled during the period		
Ng Yuk Keung (Note 3)	1/3/2010	1/3/2010 –1/3/2020	US\$0.20	2,400,000	–	800,000	1,600,000 (Note 1)	0.15%
	1/7/2010	1/7/2010 –1/7/2020	US\$0.20	3,227,325	–	2,151,550	1,075,775 (Note 2)	0.10%

Notes:

- 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.
- 3) Mr. Ng Yuk Keung resigned as Director on 1 July 2012.

Save as disclosed above, as at 30 June 2012, none of the Directors nor the chief executive of the Company or their associates (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the HKSE under the Model Code contained in Appendix 10 to the Listing Rules.

Other Information

4. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders interests and short positions in shares and underlying shares of the Company

As at 30 June 2012, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name	Nature of interest	Number of shares (long positions)	Approximate percentage of interest in the Company
Golden Base	Beneficial owner	505,062,500	46.68%
Bonderman David (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
Coulter James G. (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
TPG Group Holdings (SBS) Advisors, Inc. (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
TPG Group Holdings (SBS), L.P. (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
TPG Holdings I, L.P. (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
TPG Holdings I-A, LLC (Note 1)	Deemed interest, interest of controlled company	219,822,000	20.32%
TPG Star GenPar Advisors, LLC. (Note 1)	Deemed interest, interest of controlled company	146,549,000	13.54%
TPG Star GenPar. L.P. (Note 1)	Deemed interest, interest of controlled company	146,549,000	13.54%

Other Information

Name	Nature of interest	Number of shares (long positions)	Approximate percentage of interest in the Company
TPG Star Jaguar Ltd. (Note 1)	Beneficial owner	146,549,000	13.54%
TPG Star. L.P. (Note 1)	Deemed interest, interest of controlled company	146,549,000	13.54%
TPG Biotech III Jaguar Ltd. (Note 1)	Beneficial owner	73,273,000	6.77%
TPG Biotechnology GenPar III Advisors, LLC (Note 1)	Deemed interest, interest of controlled company	73,273,000	6.77%
TPG Biotechnology GenPar III, L.P. (Note 1)	Deemed interest, interest of controlled company	73,273,000	6.77%
TPG Biotechnology Partners III, L.P. (Note 1)	Deemed interest, interest of controlled company	73,273,000	6.77%

Note:

1) Such shares refer to the same batch of shares.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any other parties (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

5. CHANGES IN THE BOARD OF DIRECTORS AND DIRECTOR'S INFORMATION

The changes in information of the Directors and the Board since the date of the Company's 2011 annual report are set out below:

Mr. Patrick Sun was appointed as an independent non-executive director of China CNR Corporation Limited, a company listed on the Shanghai Stock Exchange, in February 2012.

Mr. Ng Yuk Keung resigned as an executive Director, the company secretary, the authorised representative and chief financial officer of the Company with effect from 1 July 2012.

Other Information

6. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2012.

7. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2012 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company’s business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. On specific enquiries made, all Directors have confirmed that they have complied with the standard as stipulated in the Model Code throughout the six months ended 30 June 2012.

9. REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company comprises Mr. Patrick Sun (Chairman), Mr. Yue Nien Martin Tang and Dr. Lap-Chee Tsui, who are all independent non-executive Directors of the Company. The audit committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2012 and has recommended its adoption by the Board.

By order of the Board

Ng Tit
Chairman

Hong Kong, 22 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue	3	523,655	983,040
Cost of sales		(300,667)	(694,405)
Gross profit		222,988	288,635
Other revenue	4	1,173	4,231
Other net (loss) income	5	(6,570)	4,949
Selling and distribution expenses		(210,657)	(195,803)
Administrative expenses		(62,404)	(49,836)
(Loss) profit from operations		(55,470)	52,176
Finance costs		(27,664)	(32,963)
(Loss) profit before taxation	6	(83,134)	19,213
Income tax	7	21,609	(8,106)
(Loss) profit for the period		<u>(61,525)</u>	<u>11,107</u>
Attributable to:			
Owners of the Company		(61,525)	11,107
Non-controlling interests		–	–
(Loss) profit for the period		<u>(61,525)</u>	<u>11,107</u>
(Loss) earnings per share	8		
Basic		<u>(5.69) cents</u>	<u>1.21 cents</u>
Diluted		<u>(5.69) cents</u>	<u>1.18 cents</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Audited)
(Loss) profit for the period		(61,525)	11,107
Other comprehensive income for the period			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC"), net of nil tax		10,084	7,428
Total comprehensive income for the period		(51,441)	18,535
Attributable to:			
Owners of the Company		(51,441)	18,535
Non-controlling interests		-	-
Total comprehensive income for the period		(51,441)	18,535

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	235,961	213,696
– Interests in leasehold land held for own use under operating leases		31,331	31,713
		<u>267,292</u>	<u>245,409</u>
Prepayment for fixed assets		2,397	2,397
Intangible assets		45,531	48,826
Goodwill		1,250	1,250
Deferred tax assets	15	61,171	22,191
		<u>377,641</u>	<u>320,073</u>
Current assets			
Inventories	10	340,072	355,673
Trade and other receivables	11	2,135,244	2,409,432
Pledged bank deposits	12	98,326	112,103
Cash at bank and in hand		556,863	373,755
		<u>3,130,505</u>	<u>3,250,963</u>
Current liabilities			
Trade and other payables	13	681,861	902,602
Bank loans and overdrafts	14	770,640	526,253
Current taxation		50,182	85,639
		<u>1,502,683</u>	<u>1,514,494</u>
Net current assets		<u>1,627,822</u>	<u>1,736,469</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Total assets less current liabilities		2,005,463	2,056,542
Non-current liabilities			
Deferred tax liabilities	15	<u>1,235</u>	<u>1,235</u>
NET ASSETS		<u>2,004,228</u>	<u>2,055,307</u>
CAPITAL AND RESERVES			
Share capital	17	<u>1</u>	1
Reserves		<u>1,989,097</u>	<u>2,040,176</u>
Total equity attributable to owners of the Company		1,989,098	2,040,177
Non-controlling interests		<u>15,130</u>	<u>15,130</u>
TOTAL EQUITY		<u>2,004,228</u>	<u>2,055,307</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Exchange reserve	Statutory reserve	Merger reserve	Other reserve	Capital reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2011 (audited)	-	-	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 (audited)	<u>1</u>	<u>933,786</u>	<u>39,744</u>	<u>88,003</u>	<u>8,256</u>	<u>383,379</u>	<u>38,950</u>	<u>548,058</u>	<u>2,040,177</u>	<u>15,130</u>	<u>2,055,307</u>
Balance at 1 January 2012 (audited)	<u>1</u>	<u>933,786</u>	<u>39,744</u>	<u>88,003</u>	<u>8,256</u>	<u>383,379</u>	<u>38,950</u>	<u>548,058</u>	<u>2,040,177</u>	<u>15,130</u>	<u>2,055,307</u>
Changes in equity for 2012:											
Loss for the year	-	-	-	-	-	-	-	(61,525)	(61,525)	-	(61,525)
Other comprehensive income	-	-	10,084	-	-	-	-	-	10,084	-	10,084
Total comprehensive income	-	-	10,084	-	-	-	-	(61,525)	(51,441)	-	(51,441)
Shares issued pursuant to a reorganisation	-	-	-	-	-	-	-	-	-	-	-
Shares issued under placing and public offering, net of share issuance expenses	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	-	362	-	362	-	362
Forfeiture of vested share options	-	-	-	-	-	-	(3,650)	3,650	-	-	-
Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2012 (unaudited)	<u>1</u>	<u>933,786</u>	<u>49,828</u>	<u>88,003</u>	<u>8,256</u>	<u>383,379</u>	<u>35,662</u>	<u>490,183</u>	<u>1,989,098</u>	<u>15,130</u>	<u>2,004,228</u>

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Net cash generated from (used in) operating activities	17,815	(148,149)
Investing activities		
Payment for purchases of property, plant and equipment	(33,361)	(15,844)
Payment for the purchase of intangible assets	(539)	(20,128)
Decrease (increase) in pledged bank deposits	13,777	(23,755)
Interest received	2,473	1,346
Net cash used in investing activities	(17,650)	(58,381)
Financing activities		
Proceeds from new bank loans	728,579	843,768
Proceeds from other loans	–	250,000
Repayment of bank loans	(517,893)	(897,103)
Repayment of other loans	–	(256,500)
Interest paid	(27,664)	(32,963)
Net proceeds from issuance of shares under placing and public offering	–	933,786
Net cash generated from financing activities	183,022	840,988
Net increase in cash and cash equivalents	183,187	634,458
Cash and cash equivalents at 1 January	373,755	149,810
Effect of foreign exchange rate changes	(79)	(116)
Cash and cash equivalents at 30 June	556,863	784,152

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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. The Company’s shares were listed on the The Stock Exchange of Hong Kong Limited on 20 April 2011.

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Company’s consolidated financial statements for the year ended 31 December 2011.

Up to the date of issue of these financial statements, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2012, 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 HKAS 1, <i>Presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27 (2011), <i>Separate financial statements</i>	1 January 2013
Revised HKAS 19, <i>Employee benefits</i>	1 January 2013
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Directors of the Company anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

3 SEGMENT REPORTING

The chief operating decision-maker (“CODM”) has been identified as the board of directors (the “Directors”) of the Company. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources. The CODM considers the business by business lines and assesses the performance of the following operating segments:

- Third-party pharmaceutical promotion and sales
- Proprietary products production and sales
- Third-party vaccines and other pharmaceuticals (comprised separate segments: “Vaccine promotion and sales”, “Vaccine supply chain” and “Other pharmaceutical” in prior periods reported)

Information regarding the Group’s reportable segments for the six months ended 30 June 2012 and 2011 is set out below:

	Third-party pharmaceutical promotion and sales		Proprietary products production and sales		Third-party vaccines and other pharmaceuticals		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment revenue	442,976	304,382	56,112	62,044	24,567	616,614	523,655	983,040
Cost of sales	(227,972)	(123,805)	(35,499)	(39,116)	(37,196)	(531,484)	(300,667)	(694,405)
Reportable segment gross profit (loss)	<u>215,004</u>	<u>180,577</u>	<u>20,613</u>	<u>22,928</u>	<u>(12,629)</u>	<u>85,130</u>	<u>222,988</u>	<u>288,635</u>
Reportable segment operating profit (loss)	<u>59,112</u>	<u>56,468</u>	<u>4,885</u>	<u>12,466</u>	<u>(68,300)</u>	<u>18,402</u>	<u>(4,303)</u>	<u>87,336</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

3 SEGMENT REPORTING (CONTINUED)

Reconciliations of reportable segment revenue and profit or loss:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue		
Reportable segment revenue and consolidated revenue	<u>523,655</u>	<u>983,040</u>
Profit		
Reportable segment operating (loss) profit	(4,303)	87,336
Unallocated head office and corporate expenses	(45,770)	(44,340)
Other revenue	1,173	4,231
Other net (loss) income	(6,570)	4,949
Finance costs	(27,664)	(32,963)
(Loss) profit before taxation	<u>(83,134)</u>	<u>19,213</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the reporting period.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment operating profit is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The CODM does not review the assets and liabilities by each segment for the purposes of resource allocation and performance assessment.

4 OTHER REVENUE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank interest income	2,473	1,346
Subsidy income	1,677	2,625
Sundry (expense) income	(2,977)	260
	<u>1,173</u>	<u>4,231</u>

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

5 OTHER NET (LOSS) INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net loss on disposal of property, plant and equipment	(184)	(4)
Net exchange (loss) gain	(6,386)	4,953
	<u>(6,570)</u>	<u>4,949</u>

6 (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Depreciation	7,917	7,786
Amortisation of interests in leasehold land held for own use under operating leases	382	382
Amortisation of intangible assets	4,682	3,798
Operating lease charges: minimum lease payments – property rental	5,411	3,849
Write-down of inventories	8,246	1,765
	<u>8,246</u>	<u>1,765</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

7 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax – Hong Kong Profits Tax		
Provision for the period	648	10,208
Current tax – PRC Income Tax		
Provision for the period	15,800	12,255
Under (over) provision in respect of prior years	923	(681)
Deferred tax		
Current period	(38,980)	(13,676)
	<u>(21,609)</u>	<u>8,106</u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for that period. The payments of dividends by Hong Kong companies are not subject to withholding tax.

Taxation for the PRC operations is charged at the appropriate current rates of taxation ruling in the PRC. During the six months ended 30 June 2012, all PRC subsidiaries applied the national Enterprise Income Tax rate at 25%.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

8 (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to the owners of the Company for the six months ended 30 June 2012 of RMB61,525,000 (2011: Profit RMB11,107,000) and the weighted average number of 1,081,943,000 (2011: 919,031,000) ordinary shares of the Company in issue during the period.

(b) Diluted (loss) earnings per share

The calculation of diluted (loss) earnings per share is based on the loss attributable to the owners of the Company for the six months ended 30 June 2012 of RMB61,525,000 (2011: Profit RMB11,107,000) and the diluted weighted average number of ordinary shares in the respective period, after adjusting for the effects of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted):

	Six months ended 30 June	
	2012 '000 (Unaudited)	2011 '000 (Audited)
Weighted average number of ordinary shares	1,081,943	919,031
Effect of deemed issue of shares under the share option scheme for nil consideration	–	19,554
Weighted average number of ordinary shares (diluted)	<u>1,081,943</u>	<u>938,585</u>

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group incurred RMB30,305,000 (2011: RMB9,655,000) on purchase of office space for the Group's Hong Kong headquarters, RMB2,003,000 (2011: RMB10,144,000) on acquiring machineries and equipment and RMB1,054,000 (2011: RMB578,000) on acquiring motor vehicles.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

10 INVENTORIES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Raw materials	18,666	8,626
Work in progress	2,718	1,164
Finished goods	315,648	345,842
Low value consumables	3,040	41
	<u>340,072</u>	<u>355,673</u>

As at 30 June 2012, certain banking facilities of the Group were secured by the Group's inventories amounting to RMB55,149,000 (2011: RMB59,728,000).

11 TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade debtors and bills receivable	1,888,468	2,179,049
Less: allowance for doubtful debts	(50,369)	(39,665)
	<u>1,838,099</u>	<u>2,139,384</u>
Deposits, prepayments and other receivables	297,145	264,048
Amount due from a related company	-	6,000
	<u>2,135,244</u>	<u>2,409,432</u>

As at 30 June 2012, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to RMB68,800,000 (2011: RMB59,825,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade debtors are due within 30 to 240 days from the date of billing. Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis, based on the date of invoice, at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	376,180	1,356,512
More than 3 months but within 6 months	242,746	318,312
More than 6 months but within 1 year	921,394	202,830
More than 1 year but within 2 years	254,035	223,624
More than 2 years	43,744	38,106
	<u>1,838,099</u>	<u>2,139,384</u>

12 PLEDGED BANK DEPOSITS

Bank deposits of the Group of RMB98,326,000 (2011: RMB112,103,000) have been pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB241,486,000 (2011: RMB317,443,000) as at 30 June 2012.

13 TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade creditors and bills payable	532,048	707,095
Other payables and accrued charges	122,596	161,013
Construction payables	12,144	15,694
Receipts in advance	10,319	11,330
Amounts due to related companies	4,754	7,470
	<u>681,861</u>	<u>902,602</u>

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

13 TRADE AND OTHER PAYABLES (CONTINUED)

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 end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	311,923	457,127
More than 3 months but within 6 months	20,576	138,121
More than 6 months but within 1 year	130,770	43,290
More than 1 year	68,779	68,557
	<u>532,048</u>	<u>707,095</u>

14 BANK LOANS AND OVERDRAFTS

As at 30 June 2012, the bank loans and overdrafts were repayable as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 1 year or on demand	750,390	526,253
More than 1 year but within 3 years	20,250	–
	<u>770,640</u>	<u>526,253</u>

As at 30 June 2012, the bank loans and overdrafts were secured as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Bank loans		
– Secured	141,253	129,753
– Unsecured	629,387	396,500
	<u>770,640</u>	<u>526,253</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

14 BANK LOANS AND OVERDRAFTS (CONTINUED)

At 30 June 2012, the banking facilities of the Group amounting to RMB600,000,000 (2011: RMB712,380,000), which were utilised to the extent of RMB141,253,000 (2011: RMB129,753,000), were secured by certain assets of the Group as set out below:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Fixed assets	28,000	–
Inventories	55,149	59,728
Trade and other receivables	68,800	59,825
Pledged bank deposits	–	37,839
	<u>151,949</u>	<u>157,392</u>

15 DEFERRED TAXATION

The components of deferred tax (assets) liabilities recognised in the consolidated balance sheet and the movements during the period 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 2011 (audited)	2,661	(5,919)	–	(3,258)
Credited to profit or loss	(175)	(6,573)	(10,950)	(17,698)
	<u>2,486</u>	<u>(12,492)</u>	<u>(10,950)</u>	<u>(20,956)</u>
At 31 December 2011 (audited)	<u>2,486</u>	<u>(12,492)</u>	<u>(10,950)</u>	<u>(20,956)</u>
At 1 January 2012 (audited)	2,486	(12,492)	(10,950)	(20,956)
Credited to profit or loss	–	(9,619)	(29,361)	(38,980)
	<u>2,486</u>	<u>(22,111)</u>	<u>(40,311)</u>	<u>(59,936)</u>
At 30 June 2012 (unaudited)	<u>2,486</u>	<u>(22,111)</u>	<u>(40,311)</u>	<u>(59,936)</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

15 DEFERRED TAXATION (CONTINUED)

Reconciliation to the condensed consolidated statements of financial position

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Deferred tax assets	(61,171)	(22,191)
Deferred tax liabilities	1,235	1,235
	<u>(59,936)</u>	<u>(20,956)</u>

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

NT Pharma (Holdings) Company Limited ("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.

On 11 January 2012, the Company adopted the share award scheme (the "Share Award Scheme"). The purposes of the Share Award Scheme are to recognize the contribution made by certain employees of the Group and to provide eligible employees with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group. As at 30 June 2012, the trustee of the Share Award Scheme held a total of nil shares and nil shares were granted under the Share Award Scheme.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

Options granted to Directors	Number of instruments	Vesting conditions	Contractual life of options
On 1 March 2010	800,000	One year from the date of grant	10 years
On 1 March 2010	800,000	Two years from the date of grant	10 years
On 1 March 2010	800,000	Three years from the date of grant	10 years
On 1 July 2010	1,075,775	One year from the date of grant	10 years
On 1 July 2010	1,075,775	Two years from the date of grant	10 years
On 1 July 2010	1,075,775	Three years from the date of grant	10 years
	5,627,325		

Options granted to employees			
On 18 September 2009	9,667,972	One year from the date of grant	10 years
On 18 September 2009	9,667,972	Two years from the date of grant	10 years
On 18 September 2009	9,667,971	Three years from the date of grant	10 years
On 28 January 2010	3,791,322	One year from the date of grant	10 years
On 28 January 2010	3,791,322	Two years from the date of grant	10 years
On 28 January 2010	3,791,322	Three years from the date of grant	10 years
On 1 March 2010	33,334	One year from the date of grant	10 years
On 1 March 2010	33,333	Two years from the date of grant	10 years
On 1 March 2010	33,333	Three years from the date of grant	10 years
On 1 July 2010	507,559	One year from the date of grant	10 years
On 1 July 2010	507,558	Two years from the date of grant	10 years
On 1 July 2010	507,558	Three years from the date of grant	10 years
On 1 September 2010	266,667	One year from the date of grant	10 years
On 1 September 2010	266,667	Two years from the date of grant	10 years
On 1 September 2010	266,666	Three years from the date of grant	10 years
On 1 November 2010	333,334	One year from the date of grant	10 years
On 1 November 2010	333,333	Two years from the date of grant	10 years
On 1 November 2010	333,333	Three years from the date of grant	10 years
On 17 December 2010	200,000	One year from the date of grant	10 years
On 17 December 2010	200,000	Two years from the date of grant	10 years
On 17 December 2010	200,000	Three years from the date of grant	10 years
	44,400,556		

	50,027,881		

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

	30 June 2012		31 December 2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	US\$0.20	39,555,187	US\$0.20	44,957,195
Granted during the period	–	–	US\$0.20	–
Exercised during this period	US\$0.20	(40,000)	US\$0.20	–
Forfeited during this period				
– Unvested	US\$0.20	(6,979,335)	US\$0.20	(4,018,006)
– Vested	US\$0.20	(3,158,922)	–	(1,384,002)
Outstanding at the end of the period	<u>US\$0.20</u>	<u>29,376,930</u>	<u>US\$0.20</u>	<u>39,555,187</u>
Exercisable at the end of the period	<u>US\$0.20</u>	<u>18,512,767</u>	<u>US\$0.20</u>	<u>20,007,234</u>

During the six months ended 30 June 2012, one employee exercised a total of 40,000 share options.

The share options outstanding at 30 June 2012 had a weighted average remaining contractual life of 7 years (2011: 8 years).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

16 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

17 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 condensed consolidated statement of changes in equity.

(b) Dividend

No dividend was declared or paid by the Company during the six months ended 30 June 2012.

(c) Share capital

	No of shares '000	Amounts US\$'000
Ordinary shares of US\$0.00000008 each:		
Authorised		
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	626,250,000	50
Issued and fully paid		RMB'000
At 1 January 2011	–	–
Shares issued pursuant to a group reorganisation	811,438	1
Shares issued under placing and initial public offering	270,479	–
	<hr/>	<hr/>
At 31 December 2011 and 1 January 2012 (audited)	<u>1,081,917</u>	<u>1</u>
Shares issued under Pre-IPO Share Option Scheme	40	–
	<hr/>	<hr/>
At 30 June 2012 (unaudited)	<u>1,081,957</u>	<u>1</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

18 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the consolidated financial statements were as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted for	<u>63,680</u>	<u>3,680</u>

- (b) At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 1 year	8,901	10,603
After 1 year but within 5 years	8,664	12,590
	<u>17,565</u>	<u>23,193</u>

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.

19 CONTINGENT LIABILITIES

As at 30 June 2012, the Company had the following contingent liabilities in respect of:

- (a) Guarantee of RMB92,000,000 (31 December 2011: RMB135,000,000) 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 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 30 June 2012 and 31 December 2011.

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

20 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Purchases of goods from Suzhou No. 4 Pharmaceutical Factory (Note a)	<u>2,532</u>	<u>5,216</u>

(b) Balances with related parties

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amount due from a related company – Suzhou Pharmaceutical (Group) Co., Ltd. (Note b)	<u>6,000</u>	<u>6,000</u>
Amount due to a related company – Suzhou No. 4 Pharmaceutical Factory (Note a)	<u>4,754</u>	<u>7,470</u>

Notes:

- (a) Controlled by Suzhou Pharmaceutical (Group) Co., Ltd.
- (b) Minority shareholder of Suzhou First Pharmaceutical Co., Ltd.

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 Pharmaceutical Co., Ltd..

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Remuneration of Directors and key management personnel

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Short-term employee benefits	5,596	4,894
Equity-settled share-based payment expenses	661	6,486
	<u>6,257</u>	<u>11,380</u>