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

Stock Code: 01011

Interim Report 2014

Contents

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. HUNG Leung Mr. WANG Fan
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

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW

TC & Co., Solicitors

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1505, 15/F
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

5/F, Urban City Center
45 Nanchang Road, Shanghai, China

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
Level 22, Hopewell Centre
183 Queen's Road East
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
Bank of Shanghai Co., Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Merchants Bank Co., Limited
Shanghai Pudong Development Bank Co., Limited

INVESTOR RELATIONS

Tel: (852) 2808 1606
Fax: (852) 2508 9459
Email: ir@ntpharma.com

COMPANY'S WEBSITE

http://www.ntpharma.com

STOCK CODE

1011

Financial Highlights

A summary of the 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 2014 is set out below:

	For the six months ended 30 June		
	2014	2013	**% Change**
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	**408,099**	526,264	**(22.5)%**
Gross profit	**164,509**	190,643	**(13.7)%**
Profit (loss) from operations (Note 1)	**39,545**	(424,396)	**109.3%**
Profit (loss) attributable to equity shareholders of the Company	**2,294**	(432,086)	**100.5%**
Earnings (loss) per share (RMB cents)			
Basic	**0.21**	(39.94)	**100.5%**
Diluted	**0.21**	(39.94)	**100.5%**

Note:

(1) No business restructuring cost was incurred for the six months ended 30 June 2014 (2013: RMB328.7 million).

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 2014.

1. OVERVIEW

NT Pharma is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services in the People's Republic of China ("China" or "PRC"). The Group's history dates back to 1995 and the Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "HKSE") since 20 April 2011. NT Pharma has an extensive promotion network covering over 4,400 hospitals in China. The Group possesses manufacturing capabilities through its wholly-owned subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), which is certified by the new Good Manufacturing Practices ("GMP"), and has obtained approvals from the State Food and Drug Administration of China (the "SFDA") for 176 drug registration licences.

2014 continues to be a challenging year for the Group as it is in the process of recovering from the significant financial losses incurred in the previous two years. Since the residual issues of the major restructuring exercise carried out in 2012 had largely been dealt with during the year ended 31 December 2013, the Group is now able to focus on operating its pharmaceutical promotion and sales business, expanding its proprietary product portfolio and developing its own research and development capabilities. Although the overall revenue of the Group for the six months ended 30 June 2014 decreased by RMB118.2 million or 22.5% to RMB408.1 million, as compared with RMB526.3 million for the corresponding period in 2013, the operating profit for the period amounted to RMB39.5 million, as compared with operating loss of RMB424.4 million for the corresponding period in 2013. The improvement in operating results during the six months ended 30 June 2014 was mainly due to significantly lower operating expenses, higher level of government grant received as well as the fact that no further business restructuring cost was incurred. As a result of the improved operating result, the Group reported a net profit of RMB2.3 million for the six months ended 30 June 2014, as compared with a net loss of RMB432.1 million for the corresponding period in 2013.

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

During the six months ended 30 June 2014, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB131.2 million or 28.7% to RMB326.2 million, as compared with RMB457.4 million for the corresponding period in 2013.

The decrease in overall revenue of the segment was mainly attributable to Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"). The revenue of Fortum decreased by RMB192.3 million or 59.0% to RMB133.6 million, accounting for 40.9% of the segment's total sales for the six months ended 30 June 2014, as compared with RMB325.9 million or 71.3% of the segment's total sales for the corresponding period in 2013. Since the second half of 2013, GSK has been restructuring its business model in China in order to rein in operational, legal and compliance risks. New management team members have been appointed and new internal control measures have been implemented throughout 2014 at GlaxoSmithKline China ("GSK China"). One of the key initiatives introduced by GSK China is to reduce the inventory level at its distributors to avoid overstocking in the distribution channels. The supply of Fortum to the Group has therefore been subjected to much greater constraints than before since the beginning of 2014, which affected adversely the Group's delivery of Fortum to its own distributors. In view of the fact that this represents GSK China's nationwide policy across all product categories, NT Pharma anticipates that the supply situation of Fortum will most likely remain rather tight in the foreseeable future.

On the other hand, the revenue of Libod, an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH"), increased by RMB28.3 million or 62.7% to RMB73.3 million, accounting for 22.5% of the segment's total sales for the six months ended 30 June 2014, as compared with RMB45.1 million or 9.9% of the segment's total sales for the corresponding period in 2013. Given the prevalence of cancer in China, the Group believes that Libod will continue to demonstrate robust growth in sales.

Since the second quarter of 2014, the Group has commenced an exercise to revamp its sales force as well as the policies and controls on selling and promotional expenses. As a result of these efforts, the operating expenses of the segment decreased by RMB50.0 million or 29.8% to RMB118.0 million for the six months ended 30 June 2014, as compared with RMB168.0 million for the corresponding period in 2013. Furthermore, the segment had not incurred any business restructuring cost in the six months ended 30 June 2014, as compared with RMB13.7 million of impairment provision for the inventories of terminated dermatological products incurred for the corresponding period in 2013. As a result of the fore-going factors, despite reporting a lower revenue, the segment reported an operating profit of RMB8.0 million for the six months ended 30 June 2014, as compared with an operating loss of RMB19.8 million for the corresponding period in 2013.

NT Pharma will strive to continue to expand the size of its sales network and hospital penetration rate, as well as improve the operational efficiency of the segment to enhance its profitability. As at 30 June 2014, the Group's sales network comprised over 4,400 hospitals.

Proprietary Products Production and Sales

Proprietary products of the Group are produced by Suzhou First and comprise Shusi, an atypical antipsychotic drug, as well as a wide range of other drugs. The total revenue of the proprietary products production and sales segment increased by RMB20.5 million or 33.8% to RMB81.3 million for the six months ended 30 June 2014, as compared with RMB60.7 million for the corresponding period in 2013. Of the total segment revenue, the revenue of Shusi increased by RMB18.6 million or 90.0% to RMB39.3 million, accounting for 48.3% of the segment's total sales for the six months ended 30 June 2014, as compared with RMB20.7 million or 34.1% of the segment's total sales for the corresponding period in 2013. The increase in the sales of Shusi was due to favourable provincial tendering results as well as improved management of inventory in the distribution channels.

Due to the increase in revenue, operating profit of the segment increased by RMB9.7 million or 75.1% to RMB22.6 million for the six months ended 30 June 2014, as compared with RMB12.9 million for the corresponding period in 2013.

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 competitiveness and improving cash flow, the Group began restructuring its business model in the second quarter of 2012 by exiting from its low-margin vaccine business, downsizing its vaccine promotion and sales team and focusing on its pharmaceutical manufacturing, promotion and sales business which has higher margins and returns. As a result, revenue from the third-party vaccines and other pharmaceuticals business segment decreased by RMB7.5 million or 92.3% to RMB0.6 million for the six months ended 30 June 2014, as compared with RMB8.2 million for the corresponding period in 2013. The revenue represented mainly sales of residual vaccine inventories, as the Group has ceased conducting any active vaccine promotion and distribution activities since the end of 2013.

During the six months ended 30 June 2013, the segment incurred restructuring costs which amounted to RMB315.0 million, comprising principally impairment provisions for trade receivables, inventories, deposits and prepayments in respect of the vaccine business. No such restructuring cost was incurred during the six months ended 30 June 2014. Conversely, as the Group continued to devote considerable resources to collecting the vaccine trade receivables, RMB12.5 million was recovered and credited to the segment's operating results for the six month ended 30 June 2014. As such, the segment reported an operating profit of RMB6.0 million for the six months ended 30 June 2014, as compared with an operating loss of RMB346.0 million for the corresponding period in 2013.

3. PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, 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 favourable factors, including the increasing size of an ageing population, the Chinese government's commitment to improving access to healthcare services and better affordability from rising disposable income.

With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its new strategy of focusing on the pharmaceutical promotion and sales business which includes both third-party and proprietary products. Whilst the Group believes that the existing specialized therapeutic areas of oncology, anti-infectives and central nervous system will deliver sustainable growth in the long-run, it will also actively identify other specialized, high-end and high-growth therapeutic areas to bolster the business. NT Pharma is particularly interested in searching for opportunities to acquire new proprietary products to enrich its existing and future product portfolio. During 2013, the Group completed the acquisition of the intellectual property rights including patents, know-how and trademarks in relation to Xi Di Ke, a unique national class 1 new drug approved by the SFDA for the treatment of malignant lung and breast tumors. In the beginning of 2014, the SFDA also granted approval for the Group to commence the phase II clinical trial for the treatment of myelodysplastic syndromes ("MDS"), a new indication, for Xi Di Ke. In line with NT Pharma's strategic focus on the promotion and sales of oncology products, the Group believes that the acquisition of Xi Di Ke will not only complement its existing product portfolio but will also strengthen its product pipeline with Xi Di Ke's potential to treat MDS in the future. Although the revenue contribution of Xi Di Ke was insignificant during the six months ended 30 June 2014 due to the time required to penetrate the market, NT Pharma believes that the successful marketing of Xi Di Ke will provide long-term growth for the Group in view of the increasing prevalence of cancer in China. In order to meet its future demand, the Group is in the course of constructing a new factory in Taizhou, Jiangsu, which is expected to be completed during the second half of 2015.

NT Pharma will continue to strengthen its internal control and credit control systems and procedures so as to improve management of working capital and cash flow. The Group will also continue to introduce cost-saving measures in regard of both selling and distribution expenses as well as administrative expenses. In particular, the Group is in the course of revamping its sales force and revising its policies on selling and promotion expenses. New structures and policies that may strengthen compliance practices and reduce operational risks, yet on the other hand incentivise sales performance are being implemented. NT Pharma believes that the positive effects of these new initiatives will become more apparent in the second half of the year. On a macro level, the Group will continue to closely monitor the trends of the Chinese pharmaceutical market and the directions of related government policies. NT Pharma remains confident in its ability to continue to enhance its competitive position in the Chinese pharmaceutical market.

4. HUMAN RESOURCES

As at 30 June 2014, the Group had 540 full-time employees (2013: 749 employees). For the six months ended 30 June 2014, the Group's total cost on remuneration, welfare and social security amounted to RMB40.5 million (2013: RMB66.6 million).

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 2014 decreased by RMB118.2 million or 22.5% to RMB408.1 million, as compared to RMB526.3 million for the six months ended 30 June 2013. The decrease was primarily due to the decrease in revenue from the third-party pharmaceutical promotion 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 2014:

Breakdown of Reportable Segment Revenue

	For the six months ended 30 June				
	2014		2013		
	Revenue RMB'000 (Unaudited)	**% of total revenue**	Revenue RMB'000 (Unaudited)	% of total revenue	**% Change**
Third-party pharmaceutical promotion and sales	**326,212**	**79.9%**	457,377	86.9%	**(28.7)%**
Proprietary products production and sales	**81,261**	**19.9%**	60,727	11.5%	**33.8%**
Third-party vaccines and other pharmaceuticals	**626**	**0.2%**	8,160	1.6%	**(92.3)%**
Total	**408,099**	**100.0%**	526,264	100.0%	**(22.5)%**

Revenue from third-party pharmaceutical promotion and sales decreased by RMB131.2 million or 28.7% to RMB326.2 million, accounting for 79.9% of total revenue in the first six months of 2014, as compared with RMB457.4 million or 86.9% of the Group's total revenue for the six months ended 30 June 2013. The decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to a decrease in sales of Fortum.

Revenue from proprietary products production and sales increased by RMB20.5 million or 33.8% to RMB81.3 million, accounting for 19.9% of total revenue in the first six months of 2014, as compared with RMB60.7 million or 11.5% of the Group's total revenue for the six months ended 30 June 2013. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi.

Revenue from third-party vaccines and other pharmaceuticals decreased by RMB7.5 million or 92.3% to RMB0.6 million, accounting for 0.2% of total revenue in the first six months of 2014, as compared with RMB8.2 million or 1.6% of the Group's total revenue for the six months ended 30 June 2013. The decrease in revenue from third-party vaccines and other pharmaceuticals was primarily due to the fact that the Group had ceased its vaccine sales and promotion activities since the end of 2013.

Cost of Sales

Cost of sales decreased by RMB92.0 million or 27.4% to RMB243.6 million for the six months ended 30 June 2014, as compared to RMB335.6 million for the six months ended 30 June 2013. The decrease in cost of sales was primarily due to a decrease in total revenue of the Group.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB26.1 million or 13.7% to RMB164.5 million for the six months ended 30 June 2014, as compared to RMB190.6 million for the corresponding period in 2013.

Gross profit margin increased by 4.1 percentage points to 40.3% for the six months ended 30 June 2014 as compared to 36.2% for the corresponding period in 2013. The increase was mainly due to increased contribution of higher-margin products, such as Libod and Shusi, to the overall revenue of the Group.

Segment Operating Profit (Loss)

Total segment operating profit was RMB36.6 million for the six months ended 30 June 2014 as compared to the total segment operating loss of RMB352.8 million for the six months ended 30 June 2013.

The following table sets forth a breakdown of the Group's operating profit (loss) by reportable segment for the six months ended 30 June 2014:

Breakdown of Reportable Segment Operating Profit (Loss)

	For the six months ended 30 June		
	2014	2013	**% Change**
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Third-party pharmaceutical promotion and sales	**8,006**	(19,763)	**140.5%**
Proprietary products production and sales	**22,646**	12,930	**75.1%**
Third-party vaccines and other pharmaceuticals	**5,960**	(345,973)	**101.7%**
Total	**36,612**	(352,806)	**110.4%**

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs remained steady, decreasing slightly by RMB0.7 million or 2.0% to RMB36.4 million for the six months ended 30 June 2014, as compared to RMB37.1 million for the corresponding period in 2013.

Taxation

Income tax expense was RMB0.8 million for the six months ended 30 June 2014 as compared to an income tax credit of RMB29.4 million for the corresponding period in 2013.

Profit (Loss) Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company was RMB2.3 million for the six months ended 30 June 2014 as compared to a loss of RMB432.1 million for the corresponding period in 2013. The significant improvement was primarily attributable to the fact that no business restructuring cost was incurred during the six months ended 30 June 2014.

Basic Earnings (Loss) Per Share

Basic earnings per share was RMB0.21 cents for the six months ended 30 June 2014, as compared to basic loss per share of RMB39.94 cents for the corresponding period in 2013.

Capital Expenditure

Total capital expenditure increased by RMB33.8 million or 301.8% to RMB45.0 million for the six months ended 30 June 2014, as compared to RMB11.2 million for the corresponding period in 2013. The capital expenditure was used mainly for constructing the factory building and acquiring the leasehold land for the Group's new factory in Taizhou.

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 from 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 2014, the balance of unutilized proceeds amounted to approximately RMB129.9 million and the use of proceeds can be summarized as follows:

	At 30 June 2014
	RMB'000
Expanding distribution network and promotion teams	98,120
Infrastructure, information technology and logistics	73,838
Product portfolio expansion	214,532
Purchasing imported vaccines or pharmaceutical products and general working capital	372,454
Loan settlement	45,000
Total	803,944

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 debt-to-assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through purchases made by the Group's PRC subsidiaries in Pounds Sterling. In addition, certain bank loans are denominated in Hong Kong dollars. During the six months ended 30 June 2014, the Group recorded a net exchange loss of RMB4.9 million, as compared to a net exchange gain of RMB5.8 million for the corresponding period in 2013. 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, unsecured debenture and bank balances. Borrowings at variable rates expose the Group 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

	At 30 June 2014	At 31 December 2013
	RMB'000	RMB'000
Total debt	**(642,444)**	(625,030)
Cash and cash equivalents	**452,958**	489,302
Net debt	**(189,486)**	(135,728)

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Repayable:		
Within 1 year or on demand	**207,922**	315,089
After more than 1 year	**434,522**	309,941
	642,444	625,030

In May 2014, the Group's PRC subsidiary, Suzhou First issued a RMB120,000,000 non-publicly traded bond to a qualified institutional investor. The coupon interest rate of the bond is 8.5% per annum. The bond has a maturity period of two years from the date of the bond issuance.

Debt-to-Assets Ratio

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Total debt	**642,444**	625,030
Total assets	**1,475,554**	1,441,646
Debt-to-assets ratio	**43.5%**	43.4%

Charges on the Group's Assets

As at 30 June 2014, bank deposits of the Group of RMB230.1 million (31 December 2013: RMB260.1 million) were pledged to banks to secure certain bank loans and bills payable amounting to a total of RMB497.1 million (31 December 2013: RMB459.7 million). As at 30 June 2014, certain banking facilities of the Group were also secured by the Group's fixed assets and trade and other receivables which amounted to RMB24.9 million (31 December 2013: RMB40.7 million).

Capital Commitments

(a) Capital commitments outstanding as at 30 June 2014 not provided for were as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	RMB'000
Contracted for	**34,321**	86,300

(b) As at 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	RMB'000
Within 1 year	**3,469**	8,667
After 1 year but within 5 years	**929**	2,092
	4,398	10,759

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 2014, the Group had no material contingent liabilities.

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 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 2014, no further options have 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 3,800,000 options were lapsed during the six months ended 30 June 2014.

As at 30 June 2014, options to subscribe for an aggregate 10,472,068 shares of the Company were outstanding and these options relate to the options granted to the following grantees.

Employees of the Company Working under Continuous Contracts other than the Directors

				Number of share options				
	Date of grant	Option period	Exercise price	Balance as at 1/1/2014	Exercised during the period	Lapsed/ cancelled during the period	Balance as at 30/6/2014	Approximate percentage to the issued share capital
Employees	18/9/2009	18/9/2009 –18/9/2019	US$0.20	8,233,136	–	2,500,000	5,733,136 *(Note 1)*	0.53%
	28/1/2010	28/1/2010 –28/1/2020	US$0.20	4,638,932	–	1,300,000	3,338,932 *(Note 2)*	0.31%
	1/3/2010	1/3/2010 –1/3/2020	US$0.20	–	–	–	– *(Note 3)*	0.00%
	1/7/2010	1/7/2010 –1/7/2020	US$0.20	–	–	–	– *(Note 4)*	0.00%
	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	–	–	–	– *(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.

2. SHARE AWARD SCHEME

With effect from 6 March 2014, the share award scheme (the "Share Award Scheme") of the Company, which was adopted on 11 January 2012, was terminated. No share had been granted nor held by the trustee under the Share Award Scheme since its adoption.

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 2014, 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 Ordinary Shares of the Company

	Number of shares of the Company				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Approximate percentage of interest in the Company**
Ng Tit	500,000 *(Note 1)*	–	505,062,500 *(Note 2)*	–	46.72%
Chin Yu	500,000 *(Note 1)*	–	505,062,500 *(Note 2)*	–	46.72%

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

Save as disclosed above, as at 30 June 2014, 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.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2014, 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%

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 2014, 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 AND THE DIRECTOR'S INFORMATION

There were no changes in the Board during the six months ended 30 June 2014.

The changes in the information of the Directors since the date of the Company's 2013 annual report are set below:

Mr. Patrick Sun acts as an independent non-executive director of China CNR Corporation Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 601299), which became listed on the HKSE in May 2014 (Stock Code: 6199). In June 2014, he ceased to be an independent non-executive director of China Railway Group Limited (Stock Code: 390), a company listed on the HKSE.

Dr. Lap-Chee Tsui ceased to be the Vice-chancellor of the University of Hong Kong on April 1 2014.

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 2014.

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 (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 2014 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of chairman and chief executive officer of the Company. Nevertheless, the division of responsibilities between the two roles is clearly defined. On the whole, the role of chairman is that of monitoring the duties and performance of the Board, whereas the role of chief executive officer is that of managing the Company's business. The Board believes that at the current stage of development of the Company, vesting the roles of both chairman and chief executive officer in the same person provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board currently comprises one executive Director, four non-executive Directors and three independent non-executive Directors, with the independent non-executive Directors representing approximately 37.5% of the Board, which is higher than one third of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

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 2014.

9. REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises Mr. Patrick Sun (Chairman), Mr. Yue Nien Martin Tang and Dr. Lap-Chee Tsui, who are all independent non-executive Directors. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2014 and has recommended its adoption by the Board.

By order of the Board
Ng Tit
Chairman

Hong Kong, 15 August 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		**408,099**	526,264
Cost of sales		**(243,590)**	(335,621)
Gross profit		**164,509**	190,643
Other revenue	4	**32,616**	10,054
Other net loss	5	**(4,977)**	(10,645)
Selling and distribution expenses		**(125,726)**	(240,516)
Administrative expenses		**(26,877)**	(45,231)
Business restructuring costs		**–**	(328,701)
Profit/(loss) from operations		**39,545**	(424,396)
Finance costs		**(36,400)**	(37,125)
Profit/(loss) before taxation	6	**3,145**	(461,521)
Income tax (expense)/credit	7	**(851)**	29,435
Profit/(loss) for the period		**2,294**	(432,086)
Attributable to:			
Equity shareholders of the Company		**2,294**	(432,086)
Non-controlling interests		**–**	–
Profit/(loss) for the period		**2,294**	(432,086)
Earnings/(loss) per share	8		
Basic		**0.21 cents**	(39.94) cents
Diluted		**0.21 cents**	(39.94) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**2,294**	(432,086)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**2,771**	(469)
Total comprehensive income for the period	**5,065**	(432,555)
Attributable to:		
Equity shareholders of the Company	**5,065**	(432,555)
Non-controlling interests	**–**	–
Total comprehensive income for the period	**5,065**	(432,555)

Condensed Consolidated Statement of Financial Position

At 30 June 2014
(Expressed in Renminbi)

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	**201,267**	189,189
– Interests in leasehold land held for own use under operating leases		**39,243**	14,818
		240,510	204,007
Intangible assets		**39,720**	44,821
Prepayments		**–**	16,000
Deferred tax assets	17	**102,681**	109,763
		382,911	374,591
Current assets			
Inventories	10	**84,782**	132,409
Trade and other receivables	11	**413,137**	298,230
Designated loans	12	**141,766**	147,114
Pledged bank deposits	13	**230,145**	260,063
Cash at bank and in hand		**222,813**	229,239
		1,092,643	1,067,055
Current liabilities			
Trade and other payables	14	**614,169**	576,116
Bank loans	15	**194,696**	285,457
Unsecured debenture		**13,226**	29,632
Current taxation		**4,206**	30,830
		826,297	922,035
Net current assets		**266,346**	145,020

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2014
(Expressed in Renminbi)

	Note	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
Total assets less current liabilities		**649,257**	519,611
Non-current liabilities			
Unsecured debenture	16	**434,522**	309,941
Deferred tax liabilities	17	**871**	871
NET ASSETS		**213,864**	208,799
CAPITAL AND RESERVES	18		
Share capital		**1**	1
Reserves		**213,863**	208,798
Total equity attributable to equity shareholders of the Company		**213,864**	208,799
Non-controlling interests		**–**	–
TOTAL EQUITY		**213,864**	208,799

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital	Share premium	Exchange reserve	Statutory reserve	Merger reserve	Other reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013 (Audited)	1	933,872	42,252	88,206	8,256	338,509	23,067	(549,169)	884,994	–	884,994
Changes in equity for 2013:											
Loss for the year	–	–	–	–	–	–	–	(673,458)	(673,458)	–	(673,458)
Other comprehensive income	–	–	(2,941)	–	–	–	–	–	(2,941)	–	(2,941)
Total comprehensive income	–	–	(2,941)	–	–	–	–	(673,458)	(676,399)	–	(676,399)
Equity-settled share-based transactions	–	–	–	–	–	–	204	–	204	–	204
Forfeiture of vested share options	–	–	–	–	–	–	(8,416)	8,416	–	–	–
Balance at 31 December 2013 (Audited)	1	933,872	39,311	88,206	8,256	338,509	14,855	(1,214,211)	208,799	–	208,799
Balance at 1 January 2014 (Audited)	**1**	**933,872**	**39,311**	**88,206**	**8,256**	**338,509**	**14,855**	**(1,214,211)**	**208,799**	**–**	**208,799**
Changes in equity for 2014:											
Profit for the year	–	–	–	–	–	–	–	2,294	2,294	–	2,294
Other comprehensive income	–	–	2,771	–	–	–	–	–	2,771	–	2,771
Total comprehensive income	–	–	2,771	–	–	–	–	2,294	5,065	–	5,065
Forfeiture of vested share options	–	–	–	–	–	–	(3,380)	3,380	–	–	–
Balance at 30 June 2014 (Unaudited)	**1**	**933,872**	**42,082**	**88,206**	**8,256**	**338,509**	**11,045**	**(1,208,107)**	**213,864**	**–**	**213,864**

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	**20,584**	(138,398)
Investing activities		
Payment for purchases of property, plant and equipment	**(20,183)**	(2,270)
Payment for interests in leasehold land held for own use under operating lease	**(24,800)**	–
Payment for the purchase of intangible assets	**–**	(8,975)
Decrease in prepayments	**16,000**	–
Increase in designated loans	**–**	(139,709)
Decrease in pledged bank deposits	**–**	42,554
Interest received	**10,083**	9,517
Net cash used in investing activities	**(18,900)**	(98,883)
Financing activities		
Proceeds from new bank loans	**129,781**	303,526
Proceeds from issuance of unsecured debenture	**119,280**	293,259
Repayment of bank loans	**(220,786)**	(379,998)
Interest paid	**(36,400)**	(37,125)
Net cash (used in)/generated from financing activities	**(8,125)**	179,662
Net decrease in cash and cash equivalents	**(6,441)**	(57,619)
Cash and cash equivalents at 1 January	**229,239**	246,030
Effect of foreign exchange rate changes	**15**	(52)
Cash and cash equivalents at 30 June	**222,813**	188,359

1 PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical and vaccine products and the provision of marketing and promotion services to suppliers in the PRC.

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 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2013.

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 2014, and which have not been adopted in these financial statements.

The Directors 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.

3 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 three reportable segments:

- Third-party pharmaceutical promotion and sales: turnover is derived from selling and marketing third-party manufactured pharmaceutical products to customers and providing marketing and promotion services.

- Proprietary products production and sales: turnover is derived from production and sales of proprietary branded products and generic drugs through the Company's subsidiary, Suzhou First Pharmaceutical Co., Ltd.

- Third-party vaccines and other pharmaceuticals: this segment includes sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. For the supply chain business, turnover is derived from supply chain services for pharmaceutical/vaccine products sold through the Group's supply chain network. Promotional activities of such products are carried out by suppliers but not the Group.

3 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 expenses incurred specifically by those segments.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below.

	Third-party pharmaceutical promotion and sales Six months ended 30 June		Proprietary products production and sales Six months ended 30 June		Third-party vaccines and other pharmaceuticals Six months ended 30 June		Total Six months ended 30 June	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**326,212**	457,377	**81,261**	60,727	**626**	8,160	**408,099**	526,264
Cost of sales	**(200,175)**	(295,391)	**(40,677)**	(33,377)	**(2,738)**	(6,853)	**(243,590)**	(335,621)
Reportable segment gross profit/(loss)	**126,037**	161,986	**40,584**	27,350	**(2,112)**	1,307	**164,509**	190,643
Reportable segment operating profit/(loss)	**8,006**	(19,763)	**22,646**	12,930	**5,960**	(345,973)	**36,612**	(352,806)

3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	**408,099**	526,264
Profit/(loss)		
Reportable segment operating profit/(loss)	**36,612**	(352,806)
Unallocated head office and corporate expenses	**(24,706)**	(70,999)
Other revenue	**32,616**	10,054
Other net loss	**(4,977)**	(10,645)
Finance costs	**(36,400)**	(37,125)
Consolidated profit/(loss) before taxation	**3,145**	(461,521)

4 OTHER REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**10,083**	9,517
Government subsidy income	**22,216**	–
Sundry income	**317**	537
	32,616	10,054

5 OTHER NET LOSS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net loss on disposal of property, plant and equipment	**(47)**	(16,437)
Net exchange (loss)/gain	**(4,930)**	5,792
	(4,977)	(10,645)

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**7,095**	7,414
Amortisation of interests in leasehold land held for own use under operating leases	**375**	382
Amortisation of intangible assets	**5,187**	4,000
Asset impairment losses:		
– inventories	**150**	58,678
– trade debtors	**3,351**	245,700
– deposit and prepayment	**–**	26,500
Operating lease charges in respect of properties	**3,756**	5,211
Cost of inventory sold	**270,049**	276,943
Reversal of impairment for trade debtors	**(15,623)**	–
Reversal of impairment for inventories	**(26,609)**	–

7 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC Income Tax		
Provision for the period	**851**	2, 441
Over provision in respect of prior years	**(7,082)**	–
	(6,231)	2,441
Deferred tax		
Origination and reversal of temporary differences	**7,082**	(31,876)
Income tax expense/(credit)	**851**	(29,435)

Notes:

(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 Company's subsidiaries in the Hong Kong Special Administrative Region are subject to Hong Kong Profits Tax at tax rate of 16.5% (2013: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2014, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purpose.

During the six months ended 30 June 2014, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2013: 25%), except that Suzhou First is subject to income tax rate of 15% (2013: 25%).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to the equity shareholders of the Company for the six months ended 30 June 2014 of RMB2,294,000 (2013: loss of RMB432,086,000) and the weighted average number of 1,081,957,000 (2013: 1,081,957,000) ordinary shares of the Company in issue during the period.

Weighted average number of ordinary shares (basic)

	2014 Number of shares '000 (Unaudited)	2013 Number of shares '000 (Unaudited)
At 1 January	**1,081,957**	1,081,957
Effect of shares issued upon exercise of share options	**–**	–
At 30 June	**1,081,957**	1,081,957

(b) Diluted earnings/(loss) per share

No adjustment for share options was made in calculating diluted earnings/(loss) per share as the average market price of ordinary shares did not exceed the exercise price of share options during the six months ended 30 June 2014 and the conversion of share options would result in decrease in loss per share for the six months ended 30 June 2013. Accordingly, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for both periods.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired buildings under construction and land use rights with total net book value of RMB42,707,000 (2013: 5,558,000) and incurred RMB2,276,000 (2013: RMB2,766,000) on acquiring machineries and equipment.

As at 30 June 2014, certain banking facilities of the Group were secured by an office property of the Group held for its own use with a net book value amounting to RMB24,948,000 (2013: RMB25,303,000). Such property is located in Hong Kong under a medium-term land lease.

10 INVENTORIES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Raw materials	**16,426**	11,109
Work in progress	**610**	2,339
Finished goods	**67,746**	118,961
	84,782	132,409

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Trade debtors and bills receivable	**827,792**	718,423
Less: Allowance for doubtful debts	**(608,111)**	(620,384)
	219,681	98,039
Deposits, prepayments and other receivables	**193,456**	200,191
	413,137	298,230

As at 30 June 2014, none (31 December 2013: RMB15,400,000) of the Group's trade and other receivables were used for securing certain banking facilities.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade debtors are normally 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 billing date of invoice, as of the date of the statement of financial position:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 3 months	**161,132**	21,778
More than 3 months but within 6 months	**14,059**	13,383
More than 6 months but within 1 year	**16,042**	13,411
More than 1 year but within 2 years	**28,448**	49,467
	219,681	98,039

12 DESIGNATED LOANS

As at 30 June 2014, designated loans of RMB141,766,000 (31 December 2013: RMB147,114,000) represented the aggregate amount of loans made to Taizhou East China Medical City Holding Group., Ltd, an independent third party, by the Group through the Bank of Shanghai Co., Limited. The loans have a maturity date of 31 December 2014 and an interest rate of 10.97% per annum.

13 PLEDGED BANK DEPOSITS

Bank deposits of the Group of RMB230,145,000 (31 December 2013: RMB260,063,000) have been pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB380,368,000 (31 December 2013: RMB352,734,000) as at 30 June 2014.

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Trade creditors	**79,935**	81,472
Bills payable	**380,368**	352,734
Total trade creditors and bills payable	**460,303**	434,206
Receipts in advance	**8,582**	21,917
Other payables and accrued charges	**145,284**	119,993
	614,169	576,116

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 date of the statement of financial position:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 3 months	**34,258**	14,398
More than 3 months but within 6 months	**379,044**	352,807
More than 6 months but within 1 year	**947**	523
More than 1 year	**46,054**	66,478
	460,303	434,206

15 BANK LOANS

As at 30 June 2014, the bank loans comprised:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Bank loans repayable within 1 year or on demand		
– Secured	**116,696**	106,957
– Unsecured	**78,000**	178,500
	194,696	285,457

As at 30 June 2014, the banking facilities were secured by certain assets of the Group as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Fixed assets	**24,948**	25,303
Trade and other receivables	**–**	15,400
Pledged bank deposits	**33,000**	260,063
	57,948	300,766

16 UNSECURED DEBENTURE

(a) In April 2012, Suzhou First joined a "Small and Medium Enterprises of Suzhou Industrial Park Collective Bonds Issuance" project sponsored by a Chinese commercial bank. Under this project, Suzhou First issued an unsecured debenture of RMB20,000,000 with a maturity period of three years from 27 April 2012 to 26 April 2015. The debenture carries a fixed annual interest rate of 7.5%. The interest is payable annually on 26 April.

(b) In February 2013, the Group's PRC subsidiary, NT Pharma (Jiangsu) Co., Ltd., issued a RMB300,000,000 local SME Private Debt, which is regulated and approved by the Shanghai Stock Exchange. The coupon interest rate of the debt is 9.5% per annum. The debt has a maturity period of three years with the debt holder having an option to redeem the debt at face value after two years. The debt is guaranteed by a company controlled by municipal-level government in the PRC.

(c) In May 2014, the Group's PRC subsidiary, Suzhou First, issued a RMB120,000,000 non-publicly traded bond to a qualified institutional investor. The coupon interest rate of the bond is 8.5% per annum. The bond has a maturity period of two years from the date of the bond issuance.

17 DEFERRED TAXATION

(a) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

	Revaluation of assets arising from acquisition of business	**Provisions and impairment**	**Tax losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (Audited)	(1,053)	88,398	–	87,345
Credited to profit or loss	182	21,365	–	21,547
At 31 December 2013 (Audited)	(871)	109,763	–	108,892
At 1 January 2014 (Audited)	(871)	109,763	–	108,892
Credited to profit or loss	–	(7,082)	–	(7,082)
At 30 June 2014 (Unaudited)	(871)	102,681	–	101,810

(b) Reconciliation to the consolidated statement of financial position

	At 30 June 2014	At 31 December 2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	**102,681**	109,763
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(871)**	(871)
	101,810	108,892

18 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 2014.

(c) Share capital

A summary of movements in the Company's issued share capital during the period ended 30 June 2014 is as follows:

	No of shares	**Amount**
	'000	RMB'000
Ordinary shares of US$0.00000008 each:		
Authorised		
At 31 December 2013 (audited) and 30 June 2014 (unaudited)	626,250,000	50
Ordinary shares, issued and fully paid:		
At 31 December 2013 and 1 January 2014 (Audited)	1,081,957	1
Shares issued under pre-IPO share option scheme	–	–
At 30 June 2014 (unaudited)	1,081,957	1

19 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 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.

(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		

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

Options granted to Directors	Number of instruments	Vesting conditions	Contractual life of options
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		

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

	At 30 June 2014		At 31 December 2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**US$0.20**	**14,272,068**	US$0.20	20,581,135
Exercised during this period	**US$0.20**	**–**	US$0.20	–
Forfeited during this period				
– Unvested	**US$0.20**	**–**	US$0.20	–
– Vested	**US$0.20**	**(3,800,000)**	US$0.20	(6,309,067)
Outstanding at the end of the period	**US$0.20**	**10,472,068**	US$0.20	14,272,068
Exercisable at the end of the period	**US$0.20**	**10,472,068**	US$0.20	14,272,068

The share options outstanding at 30 June 2014 had a weighted average remaining contractual life of 5.5 years (2013: 6 years).

19 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.

20 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2014 not provided for in the consolidated financial statements were as follows:

	The Group	
	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Contracted for		
– property, plant and equipment	**34,321**	22,300
– investment in an associate	**–**	64,000
	34,321	86,300

(b) At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 1 year	**3,469**	8,667
After 1 year but within 5 years	**929**	2,092
	4,398	10,759

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.

21 CONTINGENT LIABILITIES

(a) In January 2013, a subsidiary of the Group received a formal court notice that it is being sued by a former vaccine supplier for breach of contract in respect of transactions occurred in 2011. The former supplier lodged a claim for compensation and penalty of RMB6,206,000.

Based on legal advice, the Directors are of opinion that as the case is at a preliminary stage, it is not possible to estimate with reasonable certainty the outcome of the case.

21 CONTINGENT LIABILITIES (CONTINUED)

(b) In 2011, a subsidiary of the Group was sued by a former vaccine distributor over a performance deposit and service fee. The plaintiff lodged a claim for compensation of RMB1,100,000. The Directors have assessed the likelihood of any unfavourable outcome of the legal case and believe that the outcome will not have a material adverse impact on the financial position, operating results or cash flow of the Group.

Apart from the above, the Group has no other outstanding litigations or contingent liabilities up to the date of this report.

22 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, transactions with the following parties were 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, beneficial holders of the Company's 46.72% equity interest
NT Holdings	Holding company of the Group prior to the Reorganisation

Key management personnel remuneration

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**4,713**	7,136
Equity-settled share-based payment expenses	**–**	29
	4,713	7,165