NTPHARMA

China NT Pharma Group Company Limited

中國泰凌醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01011)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Since the Group had completed its major restructuring exercise 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.

- 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. However, 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 mainly due to the fact that no further business restructuring cost was incurred during the six months ended 30 June 2014.

- 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 to the overall revenue of the Group.

- 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.

- 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.

INTERIM RESULTS

The board of directors (the "**Board**") of China NT Pharma Group Company Limited (the "**Company**" or "**NT Pharma**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014, together with the comparative figures for the six months ended 30 June 2013 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(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

	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 People's Republic of China ("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

	Note	**30 June 2014** **RMB'000** **(Unaudited)**	31 December 2013 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**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		**102,681**	109,763
		382,911	374,591
Current assets			
Inventories		**84,782**	132,409
Trade and other receivables	9	**413,137**	298,230
Designated loans		**141,766**	147,114
Pledged bank deposits		**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	10	**614,169**	576,116
Bank loans	11	**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

	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	**434,522**	309,941
Deferred tax liabilities	**871**	871
NET ASSETS	**213,864**	208,799
CAPITAL AND RESERVES		
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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

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.

(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		**Proprietary products production and sales**		**Third-party vaccines and other pharmaceuticals**		**Total**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**		**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)

(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. 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.

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

10. 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	At 31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(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	At 31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(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

11. BANK LOANS

As at 30 June 2014, the bank loans comprised:

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

12. DIVIDEND

No dividend was declared or paid by the Company during the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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*	
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

5. 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.

6. 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.

7. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

9. REVIEW OF INTERIM RESULTS 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 results of the Group for the six months ended 30 June 2014 and has recommended its adoption by the Board.

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

Hong Kong, 15 August 2014

As at the date of this announcement, the executive director of the Company is Mr. Ng Tit, the non-executive directors of the Company are Ms. Chin Yu, Dr. Qian Wei, Mr. Wang Fan and Mr. Hung Leung; and the independent non-executive directors of the Company are Mr. Yue Nien Martin Tang, Mr. Patrick Sun and Dr. Lap-Chee Tsui.