中国泰凌医药集团有限公司
CHINA NT PHARMA GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01011)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- The Group now focuses on operating its pharmaceutical promotion and sales business, expanding its proprietary product portfolio and developing its own research and development capabilities after the restructuring exercise was completed last year.

- Although the overall revenue of the Group for the six months ended 30 June 2015 decreased by RMB27.2 million or 6.7% to RMB380.9 million, the operating profit for the period increased RMB17.7 million or 44.8% to RMB57.2 million.

- The improvement in operating results was mainly due to improvement of gross profit margin of 7 percentage points from 40.3% for the six months ended 30 June 2014 to 47.3% for the six months ended 30 June 2015 and lower operating expenses as well as lower finance costs.

- The core profit attributable to equity shareholders of the Company increased by 1,991.1% from RMB2.3 million to RMB48.0 million.

- Basic core earnings per share was RMB3.74 cents for the six months ended 30 June 2015, as compared to basic core earnings per share of RMB0.21 cents for the corresponding period in 2014.

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 2015, together with the comparative figures for the six months ended 30 June 2014 as follows:

Condensed Consolidated Income Statement
For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue		**380,903**	408,099
Cost of sales		**(200,700)**	(243,590)
Gross profit		**180,203**	164,509
Other revenue	4	**1,030**	32,616
Other net income/(loss)	5	**1,887**	(4,977)
Selling and distribution expenses		**(89,929)**	(125,726)
Administrative expenses		**(24,531)**	(26,877)
Share of profit of a joint venture		**(6,304)**	–
Equity – settled share option expenses		**(5,175)**	–
Profit from operations		**57,181**	39,545
Finance costs		**(19,020)**	(36,400)
Profit before taxation	6	**38,161**	3,145
Income tax expense	7	**(1,671)**	(851)
Profit for the period		**36,490**	2,294
Attributable to:			
Equity shareholders of the Company		**36,490**	2,294
Non-controlling interests		**–**	–
Profit for the period		**36,490**	2,294
Earnings per share	8		
Basic		**2.84 cents**	0.21 cents
Diluted		**2.84 cents**	Not applicable

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**36,490**	2,294
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**(2,290)**	2,771
Total comprehensive income for the period	**34,200**	5,065
Attributable to:		
Equity shareholders of the Company	**34,200**	5,065
Non-controlling interests	**–**	–
Total comprehensive income for the period	**34,200**	5,065

Condensed Consolidated Statement of Financial Position
At 30 June 2015

	Note	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**271,124**	264,122
– Interests in leasehold land held for own use under operating leases		**38,407**	38,825
		309,531	302,947
Intangible assets		**35,001**	38,524
Interests in a joint venture		**1,696**	–
Deferred tax assets		**96,083**	96,083
		442,311	437,554
Current assets			
Inventories		**73,041**	84,240
Trade and other receivables	9	**406,597**	403,624
Held-to-maturity investment		**–**	3,000
Pledged bank deposits	11	**140,780**	210,952
Cash at bank and in hand		**29,154**	346,062
		649,572	1,047,878
Current liabilities			
Trade and other payables	10	**313,490**	570,401
Bank loans	11	**190,888**	200,261
Unsecured debenture		**120,000**	343,981
Current taxation		**16,131**	14,978
		640,509	1,129,621
Net current assets		**9,063**	(81,743)

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets less current liabilities	**451,374**	355,811
Non-current liabilities		
Government grant received	**22,216**	22,216
Unsecured debenture	**–**	120,000
Deferred tax liabilities	**616**	616
NET ASSETS	**428,542**	212,979
CAPITAL AND RESERVES		
Share capital	**1**	1
Reserves	**428,541**	212,978
Total equity attributable to equity shareholders of the Company	**428,542**	212,979
Non-controlling interests	**–**	–
TOTAL EQUITY	**428,542**	212,979

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015

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 2015 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2014.

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 2015, 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 ("**Suzhou First**").

– 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 2015 and 2014 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**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**283,417**	326,212	**97,486**	81,261	**–**	626	**380,903**	408,099
Cost of sales	**(158,157)**	(200,175)	**(42,543)**	(40,677)	**–**	(2,738)	**(200,700)**	(243,590)
Reportable segment gross profit/(loss)	**125,260**	126,037	**54,943**	40,584	**–**	(2,112)	**180,203**	164,509
Reportable segment operating profit	**52,356**	8,006	**32,219**	22,646	**504**	5,960	**85,079**	36,612

(b) **Reconciliations of reportable segment revenue and profit**

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	**380,903**	408,099
Profit		
Reportable segment operating profit	**85,079**	36,612
Unallocated head office and corporate expenses	**(19,336)**	(24,706)
Other revenue	**1,030**	32,616
Other net loss	**1,887**	(4,977)
Finance costs	**(19,020)**	(36,400)
Share of loss of a joint venture	**(6,304)**	–
Equity-settled share option expenses	**(5,175)**	–
Consolidated profit before taxation	**38,161**	3,145

4. OTHER REVENUE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**982**	10,083
Government subsidy income	**3**	22,216
Sundry income	**45**	317
	1,030	32,616

5. OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net loss on disposal of property, plant and equipment	**(31)**	(47)
Net exchange gain/(loss)	**1,918**	(4,930)
	1,887	(4,977)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**6,649**	7,095
Amortisation of interests in leasehold land held for own use under operating leases	**418**	375
Amortisation of intangible assets	**1,115**	5,187
Asset impairment losses:		
– inventories	**21,472**	150
– trade debtors	**10,841**	3,351
Operating lease charges in respect of properties	**2,036**	3,756
Cost of inventories sold	**188,350**	270,049
Reversal of impairment for trade debtors	**(3,406)**	(15,623)
Reversal of impairment for inventories	**(9,122)**	(26,609)

7. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Income Tax		
Provision for the period	**1,671**	851
Over provision in respect of prior years	**–**	(7,082)
	1,671	(6,231)
Deferred tax		
Origination and reversal of temporary differences	**–**	7,082
Income tax expense	**1,671**	851

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% (2014: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2015, 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 2015, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2014: 25%), except that Suzhou First is subject to income tax rate of 15% (2014: 15%).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company for the six months ended 30 June 2015 of RMB36,490,000 (2014: RMB2,294,000) and the weighted average number of 1,283,922,000 (2014: 1,081,957,000) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per share

The Calculation of fully diluted earnings per share is based on earnings of RMB36,490,000 and the weighted average number of 1,285,999,000 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares. No adjustment for share options was made in calculating diluted earnings per share in 2014 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.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors and bills receivable	**845,087**	851,669
Less: Allowance for doubtful debts	**(606,774)**	(599,339)
	238,313	252,330
Deposits, prepayments and other receivables	**168,284**	151,294
	406,597	403,624

As at 30 June 2015, none (31 December 2014: none) 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 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Within 3 months	**175,881**	211,563
More than 3 months but within 6 months	**7,275**	2,465
More than 6 months but within 1 year	**38,588**	20,254
More than 1 year but within 2 years	**16,569**	18,048
	238,313	252,330

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 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Trade creditors	**14,820**	66,737
Bills payable	**191,676**	408,080
Total trade creditors and bills payable	**206,496**	474,817
Receipts in advance	**12,244**	16,437
Other payables and accrued charges	**94,750**	79,147
	313,490	570,401

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 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Within 3 months	**14,740**	63,600
More than 3 months but within 6 months	**190,213**	403,366
More than 6 months but within 1 year	**62**	469
More than 1 year	**1,481**	7,382
	206,496	474,817

11. BANK LOANS

As at 30 June 2015, the bank loans comprised:

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Bank loans repayable within 1 year or on demand		
– Secured	**190,888**	200,261

As at 30 June 2015, the banking facilities were secured by certain assets of the Group as follows:

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Fixed assets	**21,204**	24,011
Pledged bank deposits	**41,600**	33,000
	62,804	57,011

12. DIVIDEND

No dividend was declared or paid by the Company during the six months ended 30 June 2015.

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Placing and subscription of new shares

According to the announcement of the Company dated 22 May 2015, 179,650,000 new shares of the Company were conditionally placed to not less than six placees at the placing price of HK$1.86 per share ("Placing Shares") through placing agents ("Placing"). Moreover, 80,000,000 new shares of the Company were conditionally subscribed at the subscription price of HK$1.86 per share ("Subscription Shares") by Golden Base Investment Limited ("Golden Base"), which Mr. NG Tit, Chairman and Chief Executive Officer and Ms. CHIN Yu, Executive Director of NT Pharma are the controlling shareholders of Golden Base ("Subscription").

The net proceeds of the Placing and the Subscription (after deducting related placing commissions, professional fees and related expenses which were borne by the Company) were approximately HK$476.68 million. The Company intends to use the net proceeds from the Placing and Subscription in the following manner: (i) for expanding the Group's proprietary products portfolio and developing its research and development capabilities; (ii) for the repayment of certain debt of the Group; and (iii) for general corporate purpose.

The Placing Shares and the Subscription Shares were allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 21 May 2015.

The Placing and the Subscription were completed on 7 July 2015.

(b) Acquisition of a company

On 5 August 2015, the Jiangsu Tailing Investment Co., Ltd. ("Purchaser") entered into the Equity Transfer Agreements with Shenzhen Kexing, Meng Yonghong and Hunan Jimeng (the "Vendors"), pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase in aggregate 100% equity interest in the Target Company, being 65%, 18% and 17% equity interest held by Shenzhen Kexing Biotech Co., Ltd., Meng Yonghong and Hunan Province Jimeng Chinese Herbal Medicine Institute of Liver Diseases Co., Ltd., respectively, for the consideration of approximately RMB95,000,000.

Pursuant to the Settlement Agreement, the Hunan Kexing Jimeng Pharmaceutical Co., Ltd. ("Target Company") is obliged to repay an amount of approximately RMB13,536,385 to Changsha Pilot Pural Commercial Bank Co., Ltd. Yinshan Branch (the "Creditor"). Such amount represents the principal amount, interest expenses and other related expenses of a loan under a charge agreement entered into between the Target Company and the Creditor.

Apart from the consideration, the Purchaser intends to assist the Target Company in repaying an amount of approximately RMB13,536,385 to the Creditor as part of the transfer price of the Acquisition.

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, 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.

The Group now focuses on operating its pharmaceutical promotion and sales business, expanding its proprietary product portfolio and developing its own research and development capabilities after the restructuring exercise was completed in last year. Although the overall revenue of the Group for the six months ended 30 June 2015 decreased by RMB27.2 million or 6.7% to RMB380.9 million, as compared with RMB408.1 million for the corresponding period in 2014, the operating profit for the period amounted to RMB57.2 million, as compared with RMB39.5 million for the corresponding period in 2014. The improvement in operating results during the six months ended 30 June 2015 was mainly due to improvement of gross profit margin of 7 percentage points from 40.3% for the six months ended 30 June 2014 to 47.3% for the six months ended 30 June 2015 and lower operating expenses as well as lower finance costs were incurred. As a result of the improved operating result, the Group reported profit attributable to equity shareholders of the Company ("net profit") of RMB36.5 million for the six months ended 30 June 2015, as compared with RMB2.3 million for the corresponding period in 2014. Excluding equity-settled share option expenses and share of loss of a joint venture, the core profit attributable to equity shareholders of the Company ("core profit") increased by 1,991.1% from 2.3 million to 48.0 million.

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 2015, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB42.8 million or 13.1% to RMB283.4 million, as compared with RMB326.2 million for the corresponding period in 2014.

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 RMB60.9 million or 45.6% to RMB72.7 million, accounting for 25.6% of the segment's total sales for the six months ended 30 June 2015, as compared with RMB133.6 million or 40.9% of the segment's total sales for the corresponding period in 2014. 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 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 subject to much greater constraints 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 RMB120.7 million or 164.6% to RMB194.0 million, accounting for 68.4% of the segment's total sales for the six months ended 30 June 2015, as compared with RMB73.3 million or 22.5% of the segment's total sales for the corresponding period in 2014. The increase in revenue of Libod was primarily due to an increase of 14,100 units or 87.1% in sales volume for the six months ended 2015 from 16,180 units for the corresponding period in 2014 which was partially offset by a decrease of RMB526 or 11.6% in the average commercial selling price per unit to RMB4,006 for the six months ended 2015 from RMB4,532 for the corresponding period in 2014. In addition, included in the revenue of Libod for the first half of 2015 is a promotion income of RMB72.7 million, or RMB2,400 per unit sold, recognised under a new contract between FDZH and a subsidiary of the Company. The promotion income was paid by FDZH to this subsidiary for the promotion of Libod. Given the prevalence of cancer in China, the Group believes that Libod will continue to demonstrate robust growth in sales.

The Group has commenced in 2015 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 RMB45.1 million or 38.2% to RMB72.9 million for the six months ended 30 June 2015, as compared with RMB118.0 million for the corresponding period in 2014. As a result of the fore-going factors, despite reporting a lower revenue, the segment reported an operating profit of RMB52.4 million for the six months ended 30 June 2015, as compared with RMB8.0 million for the corresponding period in 2014.

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 2015, 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 RMB16.2 million or 20.0% to RMB97.5 million for the six months ended 30 June 2015, as compared with RMB81.3 million for the corresponding period in 2014. Of the total segment revenue, the revenue of Shusi increased by RMB14.2 million or 36.2% to RMB53.6 million, accounting for 55.0% of the segment's total sales for the six months ended 30 June 2015, as compared with RMB39.3 million or 48.3% of the segment's total sales for the corresponding period in 2014. The increase in revenue of Shusi was primarily due to more favourable market environment as well as improved management of inventory in the distribution channels which resulted in an increase of 587,764 units or 29.1% in sales volume for the six months ended 2015 from 2,020,200 units for the corresponding period in 2014 and an increase of RMB1 or 5.0% in the average commercial selling price per unit to RMB21.0 for the six months ended 2015 from RMB20 for the corresponding period in 2014.

Due to the increase in revenue, operating profit of the segment increased by RMB9.6 million or 42.3% to RMB32.2 million for the six months ended 30 June 2015, as compared with RMB22.6 million for the corresponding period in 2014.

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, no revenue was derived from third-party vaccines and other pharmaceuticals in the first six months of 2015 due to the fact that the Group had ceased its vaccine sales and promotion activities since the end of 2014.

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 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. At 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 2015 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 at the end of 2015. On 7 July 2015, the placing of 179,650,000 new shares of the Company and the subscription of 80,000,000 new shares of the Company were completed. The Company raised the net proceeds of approximately HK$476.68 million, which is expected to be used for expanding the Group's proprietary products portfolio and developing its research and development capabilities, repayment of certain debt of the Company and general corporate purpose.

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 strengthens compliance practices and reduce operational risks, yet on the other hand incentivise sales performance are being implemented. The positive effects of these new initiatives becomes more apparent in current 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 2015, the Group had 283 full-time employees (2014: 540 employees). For the six months ended 30 June 2015, the Group's total cost on remuneration, welfare and social security amounted to RMB26.3 million (2014: RMB40.5 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 2015 decreased by RMB27.2 million or 6.7% to RMB380.9 million, as compared to RMB408.1 million for the six months ended 30 June 2014. 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 2015:

Breakdown of Reportable Segment Revenue

	For the six months ended 30 June				
	2015		2014		
	Revenue *RMB'000* **(Unaudited)**	**% of total revenue**	Revenue *RMB'000* (Unaudited)	% of total revenue	**% Change**
Third-party pharmaceutical promotion and sales	**283,417**	**74.4%**	326,212	79.9%	**(13.1)%**
Proprietary products production and sales	**97,486**	**25.6%**	81,261	19.9%	**20.0%**
Third-party vaccines and other pharmaceuticals	**–**	**–**	626	0.2%	**(100.0)%**
Total	**380,903**	**100%**	408,099	100.0%	**(6.7)%**

Revenue from third-party pharmaceutical promotion and sales decreased by RMB42.8 million or 13.1% to RMB283.4 million, accounting for 74.4% of total revenue in the first six months of 2015, as compared with RMB326.2 million or 79.9% of the Group's total revenue for the six months ended 30 June 2014. 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 RMB16.2 million or 20.0% to RMB97.5 million, accounting for 25.6% of total revenue in the first six months of 2015, as compared with RMB81.3 million or 19.9% of the Group's total revenue for the six months ended 30 June 2014. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi.

Cost of Sales

Cost of sales decreased by RMB42.9 million or 17.6% to RMB200.7 million for the six months ended 30 June 2015, as compared to RMB243.6 million for the six months ended 30 June 2014. 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 increased by RMB15.7 million or 9.5% to RMB180.2 million for the six months ended 30 June 2015, as compared to RMB164.5 million for the corresponding period in 2014.

Gross profit margin increased by 7 percentage points to 47.3% for the six months ended 30 June 2015 as compared to 40.3% for the corresponding period in 2014. 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

Total segment operating profit was RMB85.1 million for the six months ended 30 June 2015 as compared to the total segment operating profit of RMB36.6 million for the six months ended 30 June 2014.

The following table sets forth a breakdown of the Group's operating profit by reportable segment for the six months ended 30 June 2015:

Breakdown of Reportable Segment Operating Profit

	For the six months ended 30 June		
	2015	2014	**% Change**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Third-party pharmaceutical promotion and sales	**52,356**	8,006	**554.0%**
Proprietary products production and sales	**32,219**	22,646	**42.3%**
Third-party vaccines and other pharmaceuticals	**504**	5,960	**(91.5)%**
Total	**85,079**	36,612	**132.4%**

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB17.4 million or 47.7% to RMB19.0 million for the six months ended 30 June 2015, as compared to RMB36.4 million for the corresponding period in 2014.

Taxation

Income tax expense was RMB1.7 million for the six months ended 30 June 2015 as compared to an income tax credit of RMB0.8 million for the corresponding period in 2014.

Profit/Core Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company was RMB36.5 million for the six months ended 30 June 2015 as compared to net profit of RMB2.3 million for the corresponding period in 2014 while core profit attributable to equity shareholders of the Company was RMB48.0 million for the six months ended 30 June 2015 as compared to core profit of RMB2.3 million for the corresponding period in 2014. This is primarily attributable to the fact that the improvement of gross profit margin and lower operating expenses as well as lower finance costs was incurred during the six months ended 30 June 2015.

Earnings per Share

Basic earnings per share and basic core earnings per share is calculated by dividing the profit attributable to owners of the parent and core profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the six months ended 30 June 2015, respectively.

Diluted earnings per share and diluted core earnings per share is calculated by dividing the profit attributable to owners of the parent and core profit attributable to owners of the parent by the weighted average number of ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares during the six months ended 30 June 2015, respectively.

	At 30 June	
	2015	2014
Profit attributable to equity shareholders of the Company (RMB'000)	36,490	2,294
Plus: equity-settled share option expenses (RMB'000)	5,175	–
Plus: share of loss of a joint venture (RMB'000)	6,304	–
Core profit attributable to equity shareholders of the Company (RMB'000)	47,969	2,294
Weighted average number of ordinary shares in issue ('000)	1,283,922	1,081,957
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options ('000)	1,285,999	1,081,957
Basic earnings per share (RMB cent per share)	2.84	0.21
Diluted earnings per share (RMB cent per share)	2.84	Not applicable
Basic core earnings per share (RMB cent per share)	3.74	0.21
Diluted core earnings per share (RMB cent per share)	3.73	Not applicable

As the share options outstanding during the period ended 30 June 2014 had no dilutive effect on the basic earnings per share, diluted earnings per share was the same as basic earnings per share. The core profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company excluding equity settled share option expenses and share of loss of a joint venture.

Capital Expenditure

Total capital expenditure decreased by RMB31.2 million or 69.3% to RMB13.8 million for the six months ended 30 June 2015, as compared to RMB45.0 million for the corresponding period in 2014. The capital expenditure was used mainly for constructing the factory building for the Group's new factory in Taizhou.

6. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the placing of 216,391,300 new shares of the Company, which was completed on 13 January 2015, and the placing of 179,650,000 new shares of the Company and the subscription of 80,000,000 new shares of the Company, which were completed on 7 July 2015, 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 2015.

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 2015 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 three executive Directors, one non-executive Directors and three independent non-executive Directors, with the independent non-executive Directors representing approximately 42.9% 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 2015.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

10. 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 2015 and has recommended its adoption by the Board.

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

Hong Kong, 6 August 2015

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