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 2016

HIGHLIGHTS

- The Group continued to focus on operating its pharmaceutical promotion and sales business, expanding its proprietary product portfolio and developing its own research and development capabilities during the period.

- On 18 May 2016, the Group entered several agreements with Novartis to acquire Miacalcic, a product, which is primarily used for osteoporosis. The acquisition will enable the Group strategically to enter the field of orthopedic treatment, enrich its product portfolio, and enjoy a long-term growth potential, so as to create value for Shareholders.

- The overall revenue of the Group for the six months ended 30 June 2016 increased by RMB4.9 million or 1.3% to RMB385.8 million.

- Profit attributable to equity shareholders of the Company increased by 37.0% from RMB36.5 million to RMB50.0 million.

- Basic earnings per share was RMB3.21 cents for the six months ended 30 June 2016, as compared to basic earnings per share of RMB2.84 cents for the corresponding period in 2015.

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 2016, together with the comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue		**385,789**	380,903
Cost of sales		**(229,046)**	(200,700)
Gross profit		**156,743**	180,203
Other revenue	*4*	**7,891**	1,030
Other net (loss)/income	*5*	**(757)**	1,887
Selling and distribution expenses		**(72,939)**	(89,929)
Administrative expenses		**(28,464)**	(24,531)
Share of profit/(loss) of an associate		**970**	(6,304)
Equity – settled share option expenses		**(1,396)**	(5,175)
Profit from operations		**62,048**	57,181
Finance costs		**(8,014)**	(19,020)
Profit before taxation	*6*	**54,034**	38,161
Income tax expense	*7*	**(3,966)**	(1,671)
Profit for the period		**50,068**	36,490
Attributable to:			
Equity shareholders of the Company		**50,068**	36,490
Non-controlling interests		**–**	–
Profit for the period		**50,068**	36,490
Earnings per share	*8*		
Basic		**3.21 cents**	2.84 cents
Diluted		**3.16 cents**	2.84 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**50,068**	36,490
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**4,356**	(2,290)
Total comprehensive income for the period	**54,424**	34,200
Attributable to:		
Equity shareholders of the Company	**54,424**	34,200
Non-controlling interests	**–**	–
Total comprehensive income for the period	**54,424**	34,200

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**297,640**	300,501
– Interests in leasehold land held for own use under operating leases		**43,527**	43,964
		341,167	344,465
Interest in an associate		**–**	–
Intangible assets		**126,284**	133,425
Deferred tax assets		**87,374**	87,745
		554,825	565,635
Current assets			
Inventories		**131,226**	174,834
Trade and other receivables	*9*	**550,201**	306,460
Pledged bank deposits		**–**	23,389
Cash at banks and in hand		**210,104**	327,995
		891,531	832,678
Current liabilities			
Trade and other payables	*10*	**161,672**	215,696
Bank loans	*11*	**266,984**	141,170
Unsecured debenture		**–**	120,000
Current taxation		**20,752**	18,724
		449,408	495,590
Net current assets		**442,123**	337,088

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total assets less current liabilities		**996,948**	902,723
Non-Current liabilities			
Bank loans	*11*	**57,000**	–
NET ASSETS		**939,948**	902,723
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**927,587**	890,362
Total equity attributable to equity shareholders of the Company		**927,588**	890,363
Non-controlling interests		**12,360**	12,360
TOTAL EQUITY		**939,948**	902,723

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical 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 2016 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2015.

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 2016, 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 and traditional Chinese medicine through the Company's subsidiaries, Suzhou First Pharmaceutical Co., Ltd ("**Suzhou First**") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("**Changsha Pharma**"), respectively.

– Other pharmaceuticals: this segment includes sales from pharmaceutical supply chain. For the supply chain business, turnover is derived from supply chain services for pharmaceutical 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 is "operating profit" which is the profit 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 2016 and 2015 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		Other pharmaceuticals Six months ended 30 June		Total Six months ended 30 June	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**266,821**	283,417	**118,968**	97,486	**–**	–	**385,789**	380,903
Cost of sales	**(183,697)**	(158,157)	**(45,349)**	(42,543)	**–**	–	**(229,046)**	(200,700)
Reportable segment gross profit	**83,124**	125,260	**73,619**	54,943	**–**	–	**156,743**	180,203
Reportable segment operating profit	**8,638**	52,356	**63,669**	32,219	**700**	504	**73,007**	85,079

(b) Reconciliations of reportable segment revenue and profit

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	**385,789**	380,903
Profit		
Reportable segment operating profit	**73,007**	85,079
Unallocated head office and corporate expenses	**(17,667)**	(19,336)
Other revenue	**7,891**	1,030
Other net (loss)/income	**(757)**	1,887
Finance costs	**(8,014)**	(19,020)
Share of profit/(loss) of an associate	**970**	(6,304)
Equity-settled share option expenses	**(1,396)**	(5,175)
Consolidated profit before taxation	**54,034**	38,161

4. OTHER REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**3,945**	982
Government subsidy income	**1,665**	3
Sundry income	**2,281**	45
	7,891	1,030

5. OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net loss on disposal of property, plant and equipment	**(155)**	(31)
Net exchange (loss)/gain	**(602)**	1,918
	(757)	1,887

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**9,589**	6,649
Amortisation of interests in leasehold land held for own use under operating leases	**418**	418
Amortisation of intangible assets	**115**	1,115
Asset impairment losses:		
– inventories	**70**	21,472
– trade debtors	**75**	10,841
Operating lease charges in respect of properties	**3,775**	2,036
Cost of inventories sold	**229,019**	188,350
Reversal of impairment for trade debtors	**(3,153)**	(3,406)
Reversal of impairment for inventories	**(43)**	(9,122)

7. INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Income Tax		
Provision for the period	**3,595**	1,671
Deferred tax		
Origination and reversal of temporary differences	**371**	–
Income tax expense	**3,966**	1,671

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% (2015: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2016, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained losses for Hong Kong profits tax purpose.

During the six months ended 30 June 2016, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2015: 25%), except that Suzhou First is subject to income tax rate of 15% (2015: 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 2016 of RMB50,068,000 (2015: RMB36,490,000) and the weighted average number of 1,557,997,800 (2015: 1,283,922,000) 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 for the six months ended 30 June 2016 of RMB50,068,000 (2015: RMB36,490,000) and the weighted average number of 1,582,814,000 (2015: 1,285,999,000) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Trade debtors and bills receivable	**980,350**	856,831
Less: Allowance for doubtful debts	**(616,930)**	(620,008)
	363,420	236,823
Deposits, prepayments and other receivables	**186,781**	69,637
	550,201	306,460

As at 30 June 2016, none (31 December 2015: 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 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**308,400**	198,341
More than 3 months but within 6 months	**20,241**	6,707
More than 6 months but within 1 year	**34,779**	31,775
	363,420	236,823

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 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**26,053**	15,338
Bills payable	**–**	7,840
Total trade creditors and bills payable	**26,053**	23,178
Receipts in advance	**11,760**	9,859
Other payables and accrued charges	**123,859**	182,659
	161,672	215,696

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 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**16,889**	18,031
More than 3 months but within 6 months	**5,993**	3,592
More than 6 months but within 1 year	**1,812**	135
More than 1 year	**1,359**	1,420
	26,053	23,178

11. BANK LOANS

As at 30 June 2016, the bank loans comprised:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans repayable within 1 year or on demand		
– Secured	**266,984**	141,170
Bank loans repayable after more than 1 year		
– Secured	**57,000**	–
	323,984	141,170

As at 30 June 2016, the banking facilities were secured by certain assets of the Group as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed assets	**24,256**	24,035

12. DIVIDEND

No dividend was declared or paid by the Company during the six months ended 30 June 2016.

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Material acquisitions

On 18 May 2016, NT Pharma International Company Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company ("**NT Pharma HK**") as the purchaser entered into (i) an asset purchase agreement ("**the Asset Purchase Agreement**") with Novartis AG and Novartis Pharma AG, companies organised under the laws of Switzerland (collective called "**Novartis**") pursuant to which Novartis agreed to transfer to NT Pharma HK (a) certain pharmaceutical product in all dosage forms (other than the Miacalcic Spray (as defined herein below))that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Injectable Transferred Assets**") and (b) certain pharmaceutical product in the form of a spray that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Spray Transferred Assets**"); and (ii) the License Agreement with Novartis, pursuant to which Novartis agrees to grant licenses for the respective assets in China and other territories.

The purchase price for the Miacalcic Injectable Transferred Assets and provision of licenses for the respective licensed assets would be in the aggregate sum of US$145 million (equivalent to approximately HK$1,131 million). The purchase price for the Miacalcic Spray Transferred Assets and provision of licenses for the respective licensed assets would be conditional.

The transaction was completed on 7 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

NT Pharma is principally engaged in investment, research and development, manufacturing and sales of pharmaceutical products in the People's Republic of China ("**China**" or "**PRC**"), with its proprietary core products covering such therapeutic areas as oncology, CNS, hepatopathy and respiratory system. The Group maintains long-term and in-depth strategic cooperative relationships with Sinopharm Group Co., Ltd. and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("**FDZH**"), and will practise an innovative model of business cooperation with them, which will help NT Pharma grow into an innovative investment-oriented pharmaceutical company with outstanding research and development capability.

NT Pharma has an extensive promotion network in China, covering over nearly 10,000 hospitals. The Group conducts its production through three of its subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First**"), Jiangsu NT Biopharma Co., Ltd. ("**Jiangsu Biopharma**") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("**Changsha Pharma**"). Suzhou First has been certified by the new GMP, and has obtained approvals from the State Food and Drug Administration of China (the "**SFDA**") for 131 drug registration licences. Jiangsu Biopharma mainly produces anti-tumour drugs and Changsha Pharma mainly produces traditional Chinese medicine for treatment of hepatopathy, the production line of Jiangsu Biopharma is expected to be put into production in the second half of 2016. In June 2016, Changsha Pharma commenced the production of its traditional Chinese medicine. During the period ended 30 June 2016, the Group substantially dedicated its focus on expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the period ended 30 June 2016 slightly increased by RMB4.9 million or 1.3% to RMB385.8 million, as compared with RMB380.9 million for the corresponding period in 2015. Operating profit for the period ended 30 June 2016 has improved to RMB62.0 million, as compared with an operating profit of RMB57.2 million for the corresponding period in 2015.

The improvement in operating results during the period ended 30 June 2016 was mainly due to increase of contribution from higher-margin products, such as Shusi, lower selling and distribution expenses and significantly lower finance costs incurred. As a result of the improved operating results, the Group reported a net profit of RMB50.0 million for the period ended 30 June 2016, as compared with a net profit of RMB36.5 million for the corresponding period in 2015.

2. BUSINESS REVIEW

Production Bases

The Group conducts its production through three of its subsidiaries, Suzhou First, Jiangsu Biopharma and Changsha Pharma.

Production Base of Chemical Drugs

Suzhou First is the Group's production base of chemical drugs, which is dubbed a "High-tech Enterprise" in Jiangsu Province. It is located in the Sino-Singaporean Suzhou Industrial Park, covering an area of 150 acres. Among the 20 types of products Suzhou First is currently producing and selling, "**Shusi**" (quetiapine fumarate tablets) is its core product and a recognized brand and high-tech product in Jiangsu Province, as well as a main resort for the therapy of CNS. Its another product, Zhuo'ao (ambroxol hydrochloride for injection) is the main resort for respiratory system therapy.

Production Base of Bio-chemical Drugs

Jiangsu Biopharma is a high-tech pharmaceutical enterprise, with its plant located in the Chinese Medicine City in Taizhou, China, which covers an area of 100 acres and is the Group's production base for bio-chemical drugs. Jiangsu Biopharma owns a new Class I anticancer drug "**Xi Di Ke**" (uroacitides injection), which has been approved to be used in treatment of non-small cell lung cancer and breast cancer, with its new indication "**myelodysplastic syndrome (MDS)**" under phase II clinical research. Xi Di Ke has been admitted into the "**Major New Drugs Innovation**" projects shortlist of the Ministry of Science and Technology.

Production Base of Traditional Chinese Medicine

Changsha Pharma is the Group's production base for traditional Chinese medicine, which is located in the National Bio-industry Base in Changsha, China, covering an area of 50 acres. Changsha Pharma owns a new state-class drug known as Songzhi Wan, which is the only traditional Chinese medicine capable of curing hepatitis Type C. The development of Songzhi Wan was subsidized by China's 863 Programme.

Core Products

NT Pharma has 131 product registration document numbers as approved by SFDA, among which, over 20 products are being sold and produced.

Xi Di Ke

Xi Di Ke, also known as uroacitides injection, is a proprietary product of Jiangsu Biopharma. Xi Di Ke, in combination with chemotherapy, is used in the treatment of advanced breast cancer and non-small cell lung cancer. In 2015, the research of treatment of myelodysplastic syndrome (MDS) with Xi Di Ke as well as its industrialization was admitted into the "**Major New Drugs Innovation**" projects shortlist of the Ministry of Science and Technology.

Songzhi Wan

Songzhi Wan is the only traditional Chinese medicine capable of curing hepatitis Type C as approved by SFDA, the development of which was included in the Major Scientific and Technical Breakthrough Program under the "**10th Five-Year Plan**" and the National High Technology Research and Development Program (863 Program). During the Stage I-II-III clinical research on Songzhi Wan, we proceeded in strict accordance with the principles of evidence-based medicine, and as a result, its drug efficacy and safety has been carefully verified with modern medicine, for which it was finally approved to enter the market with a certificate of new drug.

Shusi

Shusi, also known as quetiapine fumarate, is a proprietary product of Suzhou First. It was approved in May 2003, and was officially on the market in July 2003. Shusi is suitable for the treatment of schizophrenia and maniacalis insultus of bipolar affective disorder. As a recognized brand and high-tech product in Jiangsu Province, Shusi is one of the atypical antipsychotic drugs of a new generation with dopaminergic antagonist, and has a significant effect in treatment of the symptoms of schizophrenia and the maniacalis insultus of bipolar affective disorder.

Libod

Libod, also known as doxorubicin hydrochloride liposome injection, is a product produced by FDZH with NT Pharma as the exclusive distributor. Libod applies to Level-I chemotherapy drugs, and is a good replacement for the traditional doxorubicin, with low cardiac toxicity, a stronger targeting capability, longer duration and better security. It was recommended by NCCN for Level-I application for the first time in 2015.

3. OPERATING RESULTS

Sales

The Group currently operates three major business segments, namely third-party pharmaceutical promotion and sales; proprietary products production and sales; and other pharmaceuticals.

During the period ended 30 June 2016, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB16.6 million or 5.9% to RMB266.8 million, as compared with RMB283.4 million for the corresponding period in 2015. The decrease in overall revenue of this segment was mainly attributable to the fact that the Group ended the business of Fortum distribution completely on 1 July 2015. However, Libod, an oncology drug manufactured by FDZH, the revenue from which increased by RMB68.1 million or 35.1% to RMB262.1 million for the six months ended 30 June 2016, as compared with RMB194.0 million for the corresponding period in 2015 which offset the negative impact of the decrease in the income of this segment. The strong growth in sales of Libod was partly due to the fact that Libod has steadily built up a demonstrable track record of safety and effectiveness in treating multiple types of cancer, in particular breast tumour and lymphoma, and partly due to NT Pharma's increased dedication and allocation of resources to its oncology business.

The proprietary products of the Group are produced by Suzhou First, which comprise Shusi, an atypical antipsychotic drug, Zhuo'ao, a widely used respiratory drug Ambroxol Hydrochloride, and a wide range of other drugs. The total revenue from the proprietary product production and sales segment increased by RMB21.5 million or 22.0% to RMB119.0 million for the period ended 30 June 2016, as compared with RMB97.5 million for the corresponding period in 2015. Of the total segment revenue, the revenue of Shusi increased by RMB33.0 million or 61.6% to RMB86.6 million for the six months ended 30 June 2016, as compared with RMB53.6 million for the corresponding period in 2015. The increase in the sales of Shusi was due to more favourable market environment as well as improved management of inventory in the distribution channels. Revenue from Zhuo'ao decreased by RMB12.1 million or 39.7% to RMB18.4 million for the six months ended 30 June 2016, as compared to RMB30.5 million for the corresponding period in 2015. The decrease of sales of Zhuo'ao was mainly due to the restructuring of its sole distributor, Sihuan Pharmaceutical during the period, which adversely affected the sales results.

Research and Development

The Group has established research and development and clinical medical centre in Beijing, which maintain long-term strategic cooperation with domestic and foreign research institutions and companies. The Group conducts research and development of new products in many areas, such as cancer and blood diseases, central nervous system diseases, liver diseases, respiratory system diseases and infectious diseases, and it will have more new products offered to the patients in the future.

4. 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 size of an increasing 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 manufacturing, sales and distribution of high margin pharmaceutical products, in particular proprietary products, in order to achieve its objective of transforming from being a distributor of predominantly third-party products to becoming a fully-fledged pharmaceutical company. The Group believes that the existing specialized therapeutic areas of oncology and CNS will deliver sustainable growth in the long-run and will continue to actively identify opportunities to acquire new proprietary products to enrich its existing and future product portfolio.

We have been in the field of medical and healthcare industry for over 20 years. In the future, our people in NT Pharma will strive to create more value for our customers, shareholders and patients, and write a new chapter for the Company by adhering to the professional ideology and relying on our strong marketing network.

5. HUMAN RESOURCES

As at 30 June 2016, the Group had 432 full-time employees (2015: 283 employees). For the period ended 30 June 2016, the Group's total cost on remuneration, welfare and social security amounted to RMB19.1 million (2015: RMB26.3 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.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme ("**New Share Option Scheme**") adopted by the Company on 22 September 2014, and a share award scheme ("**New Share Award Scheme**") adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group.

The Group made considerable efforts in continuing education and training programs for its staff, to continuously enhance their knowledge, skills and team spirit. The Group regularly provided internal and external training courses for relevant staff according to their needs.

6. FINANCIAL REVIEW

Revenue

	For the period ended 30 June							
	2016 Sales volume ***'000***	**2016 Unit price** ***RMB***	**2016 Sales amount** ***RMB'000***	**2016 Proportion** ***(%)***	2015 Sales volume *'000*	2015 Unit price *RMB*	2015 Sales amount *RMB'000*	2015 Proportion *(%)*
Third-party pharmaceutical promotion and sales								
Libod	**52**	**3,472.6**	**179,483**	**46.5%**	30	4,005.8	121,297	31.8%
Libod-service income	**32**	**2,581.3**	**82,602**	**21.4%**	28	2,596.0	72,688	19.1%
Fortum	**–**	**–**	**–**	**–**	1,751	41.5	72,670	19.1%
Others	**56**	**84.8**	**4,736**	**1.2%**	331	50.6	16,762	4.4%
Subtotal	**140**	**1,911.8**	**266,821**	**69.1%**	2,140	132.4	283,417	74.4%
Proprietary products production and sales								
Shusi	**3,220**	**26.9**	**86,643**	**22.5%**	2,608	20.5	53,586	14.1%
Zhuo'ao	**14,817**	**1.2**	**18,417**	**4.8%**	22,441	1.4	30,539	8.0%
Others	**7,250**	**1.9**	**13,908**	**3.6%**	10,054	1.3	13,361	3.5%
Subtotal	**25,287**	**4.7**	**118,968**	**30.9%**	35,103	2.8	97,486	25.6%
Total	**25,427**	**1,916.5**	**385,789**	**100%**	37,244	135.2	380,903	100%

Revenue from third-party pharmaceutical promotion and sales decreased by RMB16.6 million or 5.9% to RMB266.8 million, accounting for 69.1% of total revenue in 2016, as compared with RMB283.4 million or 74.4% of the Group's total revenue in 2015. The decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to a decrease in sales of Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("**GSK**"). The Group ceased to be the promotor and distributor of Fortum since 1 July 2015.

On the other hand, the revenue of Libod, an oncology drug manufactured by FDZH, increased by RMB68.1 million or 35.1% to RMB262.1 million, accounting for 98.2% of the segment's total sales for the period ended 30 June 2016, as compared with RMB194.0 million or 68.4% of the segment's total sales for the corresponding period in 2015. The increase in revenue of Libod was primarily due to an increase of 21,400 units or 70.7% in sales volume for the period ended 30 June 2016 from 30,300 units for the corresponding period in 2015 which was partially offset by a decrease of RMB533.2 or 13.3% in the average commercial selling price per unit to RMB3,472.6 for the period ended 30 June 2016 from RMB4,005.8 for the corresponding period in 2015. The decrease of the average commercial selling price was primarily due to some samples were provided to hospitals based on a low price which aimed to enlarge the market share of Libod. In addition, included in the revenue of Libod in 2016 is a service income of RMB82.6 million, or RMB2,581.3 per unit sold, recognised under a new contract between FDZH and a subsidiary of the Company. The service 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.

Revenue from proprietary products production and sales increased by RMB21.5 million or 22.0% to RMB119.0 million, accounting for 30.9% of total revenue in 2016, as compared with RMB97.5 million or 25.6% of the Group's total revenue in 2015. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi. 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 612,000 units or 23.4% in sales volume for the period ended 30 June 2016 from 2,608,000 units for the corresponding period in 2015 and an increase of RMB6.4 or 31.2% in the average commercial selling price per unit to RMB26.9 for the period ended 30 June 2016 from RMB20.5 for the corresponding period in 2015.

Cost of Sales

For the period ended 30 June 2016, cost of sales increased by RMB28.3 million or 14.1% to RMB229.0 million, as compared to RMB200.7 million for the period ended 30 June 2015. The increase in the cost of sales during the year was mainly due to the increase in sales of Libod.

Gross Profit

	For the period ended 30 June			
Products	**2016 Gross Profit** *RMB'000*	**2016 Gross Profit Margin** *(%)*	2015 Gross Profit *RMB'000*	2015 Gross Profit Margin *(%)*
Third-party pharmaceutical promotion and sales				
Libod	**83,473**	**31.8%**	115,695	59.6%
Fortum	**–**	**–**	7,912	10.9%
Others	**(349)**	**N/A**	1,653	9.9%
Subtotal	**83,124**	**31.2%**	125,260	44.2%
Proprietary products production and sales				
Shusi	**64,558**	**74.5%**	38,887	72.6%
Zhuo'ao	**9,868**	**53.6%**	16,150	52.9%
Others	**(807)**	**N/A**	(94)	N/A
Subtotal	**73,619**	**61.9%**	54,943	56.4%
Total	**156,743**	**40.6%**	180,203	47.3%

Gross profit decreased by RMB23.5 million or 13.0% to RMB156.7 million in 2016, as compared to RMB180.2 million in 2015. Gross profit margin decreased by 6.7 percentage points to 40.6% for the period ended 30 June 2016 as compared to 47.3% for the corresponding period in 2015. The decrease was mainly due to decreased contribution of Libod to the overall revenue of the Group.

Reportable Segment Operating Profit

The Group has commenced in 2016 an exercise to revamp its sales force in higher-margin products, such as Libod and Shusi while the operating expenses of the segment decreased by RMB11.4 million or 12.0% to RMB83.7 million for the period ended 30 June 2016, as compared with RMB95.1 million for the corresponding period in 2015. In line with reporting a lower revenue, the segment reported an operating profit of RMB73.0 million for the period ended 30 June 2016, as compared with RMB85.1 million for the corresponding period in 2015. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the period ended 30 June 2016:

	For the period ended 30 June			
Products	**2016 Operating Profit** ***RMB'000***	**2016 Operating profit margin** ***(%)***	2015 Operating Profit *RMB'000*	2015 Operating profit margin *(%)*
Third-party pharmaceutical promotion and sales	**8,638**	**3.2%**	52,356	18.4%
Proprietary products production and sales	**63,669**	**53.5%**	32,219	33.0%
Other pharmaceuticals	**700**	**N/A**	504	N/A
Total	**73,007**	**18.9%**	85,079	22.3%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB11.0 million or 57.9% to RMB8.0 million for the period ended 30 June 2016, as compared to RMB19.0 million for the period ended 30 June 2015. The significantly decrease in finance costs was mainly due to the repayment of a substantial amount of our debts as our cash reserve was supplemented with the proceeds from the two rounds of placing of shares in last year.

Taxation

Income tax expense was RMB4.0 million for the period ended 30 June 2016 as compared to an income tax expense of RMB1.7 million for the period ended 30 June 2015. The increase of taxation is primarily due to the increase of profit before taxation during the period.

Profit/Core Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the period ended 30 June 2016 was RMB50.0 million as compared to a net profit of RMB36.5 million for the period ended 30 June 2015. Core profit attributable to equity holders of the Company for the period ended 30 June 2016 was RMB51.3 million as compared to a core profit of RMB48.0 million for the period ended 30 June 2015, which was mainly attributable to the reduction in operating expenses and decrease in finance costs.

Earnings per Share

The calculation of basic earnings and basic core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the period ended 30 June 2016.

The calculation of diluted earnings and diluted core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the period ended 30 June 2016 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

	At 30 June	
	2016	2015
Profit attributable to equity shareholders of the Company (RMB'000)	**50,068**	36,490
Plus: equity-settled share option expenses (RMB'000)	**1,396**	5,175
Plus: share of (profit)/loss of an associate (RMB'000)	**(970)**	6,304
Plus: net exchange loss (RMB'000)	**602**	–
Plus: net loss on disposal of property, plant and equipment (RMB'000)	**155**	–
Core profit attributable to equity shareholders of the Company (RMB'000)	**51,251**	47,969
Weighted average number of ordinary shares in issue ('000)	**1,557,998**	1,283,922
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options ('000)	**1,582,814**	1,285,999
Basic earnings per share (RMB cent per share)	**3.21**	2.84
Diluted earnings per share (RMB cent per share)	**3.16**	2.84
Basic core earnings per share (RMB cent per share)	**3.29**	3.74
Diluted core earnings per share (RMB cent per share)	**3.24**	3.73

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, share of profit or loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment.

Capital Expenditure

Total capital expenditure increased by RMB2.9 million or 20.8% to RMB16.7 million for the period ended 30 June 2016, as compared to RMB13.8 million for the period ended 30 June 2015. The capital expenditure was mainly used for acquiring the leasehold land, fixed assets and intangible assets of the Group's new factory in Changsha.

7. LIQUIDITY AND FINANCIAL RESOURCES

Treasury 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 shareholders of the Company and benefits for other stakeholders by proper product pricing and 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 closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. During the period ended 30 June 2016, the Group record a net exchange loss of RMB0.6 million, as compared to a net exchange gain of RMB1.9 million for the period ended 30 June 2015. Presently, the Group does not employ any financial instruments for hedging against the foreign exchange exposure.

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 the interest rate exposure.

Group Debt and Liquidity

	At 30 June	
	2016	2015
	RMB'000	*RMB'000*
Total debt	**(323,984)**	(261,170)
Pledged bank deposits, cash and cash equivalents	**210,104**	351,384
Net (debt)/cash	**(113,880)**	90,214

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

	At 30 June	
	2016	2015
	RMB'000	RMB'000
Repayable:		
Within 1 year or on demand	**266,984**	261,170
After more than 1 year	**57,000**	–
	323,984	261,170

The Group's bank borrowings of RMB324.0 million as at 30 June 2016 (2015: RMB261.2 million) were bank borrowing of RMB11.0 million (2015: RMB11.2 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of RMB313.0 million (2015: RMB130.0 million) at fixed interest rate ranging from 4.3% to 5.8% per annum.

In May 2014, the Group's PRC subsidiary, Suzhou First issued a RMB120,000,000 non-publicly traded bonds 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 issued and was repaid in May 2016.

Debt-to-Assets Ratio

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

	At 30 June	
	2016	2015
	RMB'000	RMB'000
Total debt	**323,984**	261,170
Total assets	**1,446,356**	1,398,313
Debt-to-assets ratio	**22.4%**	18.7%

Charges on the Group's Assets

As at 30 June 2016, there were no bank deposits of the Group (31 December 2015: RMB23.4 million) pledged to the banks to secure certain bank loans and bills payable (31 December 2015: RMB149.0 million). As at 30 June 2016, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB24.3 million (31 December 2015: RMB24.0 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 30 June 2016:

	At 30 June	
	2016	2015
	RMB'000	*RMB'000*
Contracted for		
– property, plant and equipment	**4,750**	198
– intangible assets	**1,299,715**	–
	1,304,465	198

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,898**	5,525
After 1 year but within 5 years	**–**	3,376
	2,898	8,901

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.

Significant Investments Held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the period ended 30 June 2016.

Material Acquisitions

On 18 May 2016, NT Pharma International Company Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company ("**NT Pharma HK**") as the purchaser entered into (i) an asset purchase agreement ("**the Asset Purchase Agreement**") with Novartis AG and Novartis Pharma AG, companies organised under the laws of Switzerland (collective called "**Novartis**") pursuant to which Novartis agreed to transfer to NT Pharma HK (a) certain pharmaceutical product in all dosage forms (other than the Miacalcic Spray (as defined herein below))that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Injectable Transferred Assets**") and (b) certain pharmaceutical product in the form of a spray that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "**Miacalcic Spray Transferred Assets**"); and (ii) the License Agreement with Novartis, pursuant to which Novartis agrees to grant licenses for the respective assets in China and other territories.

The purchase price for the Miacalcic Injectable Transferred Assets and provision of licenses for the respective licensed assets would be in the aggregate sum of US$145 million (equivalent to approximately HK$1,131 million). The purchase price for the Miacalcic Spray Transferred Assets and provision of licenses for the respective licensed assets would be conditional.

Miacalcic is a well-known international orthopedic brand with stable sales for a long time. It has a global sales network, while the Acquisition by the Company mainly covers countries and regions such as the PRC, Hong Kong Special Administrative Region, Taiwan, Switzerland, Egypt, South Korea, Thailand, Singapore, Australia, Malaysia, Vietnam, Russia, India, Brazil, South Africa, etc.

Miacalcic is primarily used for osteoporosis, Paget's disease and hypercalcemia. In particular, Miacalcic Spray is primarily used for postmenopausal osteoporosis in female patients.

Along with the increasingly rapid aging of population in the PRC and relevant countries and regions, there is a large number of customers and potential customers in need of chronic disease management relating to Pharmaceutical Products acquired, which will present huge market opportunities for the Group.

The Company believes that the acquisition of Miacalcic will help the Company to further grow in PRC and expand to markets outside of China. So far, the Pharmaceutical Products has recorded sales of RMB300 million to RMB500 million in the PRC with few generic drugs in the market.

Miacalcic sales have been generally stable for a long time in the PRC and other countries and regions. With a long-term and stable network of business agent partners in those markets, the Group will further explore sales channels for Miacalcic and expand its global sales network basing on its existing business partnership, as well as laying a foundation for the Group's other products to enter the international market and realize internationalization through the Pharmaceutical Products. The acquisition will enable the Group to strategically enter the field of orthopedic treatment, enrich its product portfolio, and enjoy a long-term growth potential, so as to create value for Shareholders. The transaction was completed on 7 July 2016.

For more details in relation to the above acquisition, please refer to the announcements of the Company dated 18 May 2016 and 7 July 2016 and the circular of the Company dated 21 June 2016.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the period ended 30 June 2016.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

8. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

9. 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 2016 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, two 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.

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 2016.

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

12. 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 2016 and has recommended its adoption by the Board.

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

Hong Kong, 18 August 2016

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 directors of the Company are Dr. Qian Wei and Mr. Ge Jianqiu; and the independent non-executive directors of the Company are Mr. Yue Nien Martin Tang, Mr. Patrick Sun and Dr. Lap-Chee Tsui.