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中国泰凌医药集团
CHINA NT PHARMA GROUP

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01011)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

- The Group recorded a significant increase in revenue and net profit during the six months ended 30 June 2017 as compared with the corresponding period in 2016, which was attributable to the sales contribution from innovative drug Xi Di Ke and original brand-name drug Miacalcic.

- The Group recorded a significant increase in revenue from its proprietary products as a percentage of the total revenue of the Group, from 30.9% for corresponding period in 2016 to 55.7% for the six months ended 30 June 2017, improving profitability and thereby increasing the overall gross profit margin of the Group by 12.7 percentage points to 53.3% during the period.

- The overall revenue of the Group for the six months ended 30 June 2017 increased by RMB173.3 million or 44.9% to RMB559.1 million.

- Profit attributable to equity shareholders of the Company increased by 61.1% from RMB50.1 million to RMB80.7 million.

- Basic earnings per share was RMB5.18 cents for the six months ended 30 June 2017, as compared to basic earnings per share of RMB3.21 cents for the corresponding period in 2016.

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 2017, together with the comparative figures for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue		**559,060**	385,789
Cost of sales		**(261,210)**	(229,046)
Gross profit		**297,850**	156,743
Other revenue	*4*	**9,595**	7,891
Other net loss	*5*	**(662)**	(757)
Selling and distribution expenses		**(131,072)**	(72,939)
Administrative expenses		**(56,449)**	(28,464)
Share of (loss)/profit of an associate		**(26)**	970
Equity – settled share option expenses		**(462)**	(1,396)
Profit from operations		**118,774**	62,048
Finance costs		**(29,583)**	(8,014)
Profit before taxation	*6*	**89,191**	54,034
Income tax expense	*7*	**(9,013)**	(3,966)
Profit for the period		**80,178**	50,068
Attributable to:			
Equity holders of the Company		**80,673**	50,068
Non-controlling interests		**(495)**	–
Profit for the period		**80,178**	50,068
Earnings per share	*8*		
Basic		**5.18 cents**	3.21 cents
Diluted		**5.07 cents**	3.16 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**80,178**	50,068
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**(4,691)**	4,356
Total comprehensive income for the period	**75,487**	54,424
Attributable to:		
Equity holders of the Company	**75,982**	54,424
Non-controlling interests	**(495)**	–
Total comprehensive income for the period	**75,487**	54,424

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**256,945**	266,625
– Interests in leasehold land held for own use under operating leases		**44,464**	42,975
– Investment property		**42,131**	42,131
		343,540	351,731
Intangible assets		**1,121,295**	1,156,700
Goodwill		**–**	–
Interest in an associate, net		**11,943**	11,969
Deferred tax assets		**57,201**	57,745
		1,533,979	1,578,145
Current assets			
Inventories	*9*	**103,061**	167,062
Trade and other receivables		**735,918**	594,908
Pledged bank deposits		**133,170**	133,000
Cash at banks and in hand		**415,007**	89,624
		1,387,156	984,594
Current liabilities			
Trade and other payables	*10*	**566,257**	449,027
Bank and other borrowings	*11*	**778,410**	892,449
Financial liabilities at fair value through profit or loss		**7,068**	–
Current taxation		**23,417**	26,103
		1,375,152	1,367,579
Net current assets/(liabilities)		**12,004**	(382,985)
Total assets		**2,921,135**	2,562,739

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets less current liabilities		**1,545,983**	1,195,160
Non-Current liabilities			
Considerations payable		**–**	156,138
Financial liabilities at fair value through profit or loss		**132,499**	–
Deferred tax liabilities		**–**	–
		132,499	156,138
NET ASSETS		**1,413,484**	1,039,022
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**1,402,040**	1,027,082
Total equity attributable to equity holders of the Company		**1,402,041**	1,027,083
Non-controlling interests		**11,443**	11,939
TOTAL EQUITY		**1,413,484**	1,039,022

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 (the "**Listing Rules**") 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 2017 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2016.

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 2017, 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:

– Proprietary products production and sales: revenue from production and sales of NT Pharma branded products and generic drugs.

– Miacalcic: revenue from sale of Miacalcic Injection branded pharmaceutical products for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome and sub-licensing of intellectual property rights, marketing and distribution rights of Miacalcic Injection.

– Third-party pharmaceutical promotion and sales: revenue from selling and marketing third-party manufactured pharmaceutical products to customers and providing marketing and promotional services.

(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 2017 and 2016 is set out below.

	Proprietary products production and sales Six months ended 30 June		**Miacalcic Six months ended 30 June**		**Third-party pharmaceutical promotion and sales Six months ended 30 June**		**Total Six months ended 30 June**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**156,882**	118,968	**154,551**	–	**247,627**	266,821	**559,060**	385,789
Cost of sales	**(62,329)**	(45,349)	**(20,363)**	–	**(178,518)**	(183,697)	**(261,210)**	(229,046)
Reportable segment gross profit	**94,553**	73,619	**134,188**	–	**69,109**	83,124	**297,850**	156,743
Reportable segment operating profit/(loss)	**69,925**	63,669	**113,870**	–	**(41,878)**	9,338	**141,917**	73,007

(b) Reconciliations of reportable segment revenue and profit

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	**559,060**	385,789
Profit		
Reportable segment operating profit	**141,917**	73,007
Unallocated head office and corporate expenses	**(31,588)**	(17,667)
Other revenue	**9,595**	7,891
Other net loss	**(662)**	(757)
Finance costs	**(29,583)**	(8,014)
Share of (loss)/profit of an associate	**(26)**	970
Equity-settled share option expenses	**(462)**	(1,396)
Consolidated profit before taxation	**89,191**	54,034

4. OTHER REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**69**	3,945
Government subsidy income	**10,000**	1,665
Other (loss)/income	**(474)**	2,281
	9,595	7,891

5. OTHER NET LOSS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net loss on disposal of property, plant and equipment	**14**	155
Net exchange loss	**648**	602
	662	757

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**8,430**	9,589
Amortisation of interests in leasehold land held for own use under operating leases	**457**	418
Amortisation of intangible assets	**206**	115
Asset impairment losses:		
– inventories	**22**	70
– trade debtors	**3,785**	75
Operating lease charges in respect of properties	**5,245**	3,775
Cost of inventories sold	**261,405**	229,019
Reversal of impairment for inventories	**(217)**	(43)
Reversal of impairment for trade debtors	**(5,615)**	(3,153)

7. INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Income Tax		
Provision for the period	**8,469**	3,595
Deferred tax		
Origination and reversal of temporary differences	**544**	371
Income tax expense	**9,013**	3,966

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% (2016: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2017, 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 2017, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2016: 25%), except that Suzhou First is subject to income tax rate of 15% (2016: 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 holders of the Company for the six months ended 30 June 2017 of RMB80,673,000 (2016: RMB50,068,000) and the weighted average number of 1,558,393,288 (2016: 1,557,997,800) 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 2017 of RMB80,673,000 (2016: RMB50,068,000) and the weighted average number of 1,592,031,242 (2016: 1,582,814,000) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors and bills receivable	**1,243,652**	1,074,489
Less: Allowance for doubtful debts	**(611,126)**	(612,957)
	632,526	461,532
Deposits, prepayments and other receivables	**103,392**	133,376
	735,918	594,908

As at 30 June 2017, none (31 December 2016: 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 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**385,656**	285,185
More than 3 months but within 6 months	**75,146**	73,295
More than 6 months but within 1 year	**116,414**	70,219
More than 1 year	**55,310**	32,833
	632,526	461,532

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 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**33,510**	24,628
Bills payable	**42,176**	40,000
Total trade creditors and bills payable	**75,686**	64,628
Receipts in advance from customers	**7,529**	7,914
Accrued promotional expenses	**100,229**	81,953
Accrued staff costs	**2,369**	2,191
Considerations payable	**337,294**	188,156
Other payables and accruals	**43,150**	104,185
	566,257	449,027

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 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Within 3 months	**67,854**	56,738
More than 3 months but within 6 months	**2,602**	2,816
More than 6 months but within 1 year	**1,011**	2,011
More than 1 year	**4,219**	3,063
	75,686	64,628

11. Bank and other borrowings

As at 30 June 2017, the bank loans comprised:

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Bank borrowings	**778,410**	703,466
Other borrowings	**–**	188,983
	778,410	892,449
Secured	**778,410**	803,446
Unsecured	**–**	88,983
	778,410	892,449

As at 30 June 2017, the banking facilities were secured by certain assets of the Group as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed assets	**113,107**	89,792
Investment property	**42,131**	42,131
Pledged bank deposits	**116,170**	113,000
	271,408	244,923

12. DIVIDEND

No dividend was declared or paid by the Company during the six months ended 30 June 2017.

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

NT Pharma is a technology-based pharmaceutical company which is principally engaged in the investment, research and development ("**R&D**"), manufacturing and sales of pharmaceutical products in the People's Republic of China ("**China**" or "**PRC**") and over 20 countries overseas, with its products covering therapeutic areas of severe illness such as oncology, orthopedics, Central Nervous System ("**CNS**"), hepatopathy and respiratory system. NT Pharma owns two new Class 1 drugs in China, one well-known international brand-name drug, and a number of generic drugs, and 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**"). The Group also owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. The Group has an extensive promotion network in China, covering nearly 10,000 hospitals. In addition, 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 adopt an innovative model of business cooperation with them, which will help NT Pharma grow into an innovative investment-oriented pharmaceutical company with outstanding R&D capabilities.

During the six months ended 30 June 2017, the Group substantially dedicated its focus on improving its operating profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the six months ended 30 June 2017 increased by RMB173.3 million or 44.9% to RMB559.1 million, as compared with RMB385.8 million for the corresponding period in 2016. Operating profit for the six months ended 30 June 2017 improved significantly to RMB118.7 million, as compared with an operating profit of RMB62.0 million for the corresponding period in 2016. The improvement in operating results during the six months ended 30 June 2017 was mainly due to innovative drug Xi Di Ke and brand-name drug Miacalcic which contributed to the profit of the Group. As a result of the improved operating results, the Group reported a net profit of RMB80.2 million for the six months ended 30 June 2017, as compared with a net profit of RMB50.0 million for the corresponding period in 2016.

2. BUSINESS REVIEW

Production Bases

The Group conducts its production through three of its subsidiaries, namely, 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 mu. Among the 20 types of products that 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 treatment for the therapy of CNS. Its another product, Zhuo'ao (ambroxol hydrochloride for injection) is the main treatment 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 mu and is the Group's production base for bio-chemical drugs. Jiangsu Biopharma owns a new national Class I anti-cancer drug "**Xi Di Ke**" (uroacitides injection), which has been approved to be used for the treatment of non-small cell lung cancer and breast cancer, with its new indication "**myelodysplastic syndrome (MDS)**" under phase II clinical research which 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 mu. It has also renewed its Good Manufacturing Practice certification. Its production lines commenced operation in June 2016. 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 129 product registration certificates as approved by the State Food and Drug Administration ("SFDA"), among which, over 20 products are being sold and produced.

Miacalcic

The generic name of Miacalcic is salmon calcitonin, which is a well-known international orthopedic brand. The brand is mainly used for treatment of bone pain led by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome. The brand has a global sales network. After the completion of the major transaction on acquisition of Miacalcic Injection in respect of China and other regions from Novartis at a total purchase price of US$145 million in July 2016, while transfer consideration of Miacalcic Spray which was conditional and not exceeding US$65 million, the Group has strategically established its presence in the area of orthopedic treatment.

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 treating 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.

In April 2017, Xi Di Ke was officially offered for sale in hospitals, providing doctors with a better choice in prescribing medication and bringing good news to patients. The Group believes that the unique and exclusive Xi Di Ke has huge market potentials and it will become the main highlight of the future performance of the Group.

In June 2017, the project on the new indication "myelodysplastic syndrome (MDS)" of Xi Di Ke (uroacitides injection) (the "**Project**") has been admitted into the "Major New Drugs Innovation" projects of the Ministry of Science and Technology and the National Health and Family Planning Commission, and received subsidy funding from the Ministry of Finance, demonstrating the great importance and strong support attached to the Project.

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 have been carefully verified with modern medicine, for which it was finally approved to enter the market with a certificate of new drug. It was officially commercialized at hospitals in June 2016.

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 safety. It was recommended by NCCN for Level-I application for the first time in 2015.

Zhuo'ao

The generic name of Zhuo'ao is ambroxol hydrochloride for injection, which is a proprietary product of Suzhou First used for acute exacerbations of chronic bronchitis, asthmatic bronchitis and bronchial asthma.

3. OPERATING RESULTS

Sales

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

The proprietary products of the Group include Xi Di Ke, Shusi, Zhuo'ao and other drugs. The total revenue from the proprietary product production and sales segment increased by RMB37.9 million or 31.9% to RMB156.9 million for the six months ended 30 June 2017, as compared with RMB119.0 million for the corresponding period in 2016. Xi Di Ke was launched for sale in the market in April 2017, with revenue of RMB35.6 million for the six months ended 30 June 2017, as compared to nil for the corresponding period in 2016. Revenue of Shusi increased by RMB0.6 million or 0.7% to RMB87.2 million, as compared with RMB86.6 million for the corresponding period in 2016. The increase in the sales of Shusi was due to increased market demand as well as improved management of inventory in the distribution channels. Revenue from Zhuo'ao decreased by RMB4.7 million or 25.5% to RMB13.7 million for the six months ended 30 June 2017, as compared to RMB18.4 million for the corresponding period in 2016. 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.

During the six months ended 30 June 2017, revenue from Miacalcic segment amounted to RMB154.6 million, as compared to nil for the corresponding period in 2016.

During the six months ended 30 June 2017, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB19.2 million or 7.2% to RMB247.6 million, as compared with RMB266.8 million for the corresponding period in 2016. The decrease in overall revenue of this segment was mainly attributable to the decrease in the revenue generated from Libod. Libod, an oncology drug manufactured by FDZH, the revenue from which decreased by RMB17.4 million or 6.6% to RMB244.7 million for the six months ended 30 June 2017, as compared with RMB262.1 million for the corresponding period in 2016.

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 offer more new products to 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 favorable factors, including the size of an increasing ageing population, the Chinese government's commitment to improve 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 strategies: the Group will actively conduct R&D of innovative drugs for driving the Group's profit growth and fully develop the market potential of original brand drugs and generic drugs, achieving the economies of scale for the Group through boosting sales performance of various drugs. The Group will continue to proactively identify opportunities to acquire quality products to enrich its product portfolio, gathering the momentum for sustainable development of the Group.

We have been in the field of medical and healthcare industry for over 20 years and strived to build our company to be an excellent medical and healthcare enterprise. In the future, the entire staff of NT Pharma will endeavor to deliver outstanding performance with progressive growth and constant innovation by seizing opportunities presented by various policies under the healthcare reform, upholding the advanced operation philosophies, taking advantage of extensive industry experience and expertise and leveraging our strong marketing network. Looking forward, we are confident about our capability for creating more value for our customers, shareholders and patients, embracing a new chapter for the Company.

5. HUMAN RESOURCES

As of 30 June 2017, the Group had 616 full-time employees (2016: 432 employees). For the six months ended 30 June 2017, the Group's total cost on remuneration, welfare and social security amounted to RMB51.8 million (2016: RMB19.1 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 maintained 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, in order 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 six months ended 30 June							
	2017 Sales volume *'000*	**2017 Unit price** *RMB*	**2017 Sales amount** *RMB'000*	**2017 Proportion** *(%)*	2016 Sales volume *'000*	2016 Unit price *RMB*	2016 Sales amount *RMB'000*	2016 Proportion *(%)*
Proprietary products production and sales								
Xi Di Ke	**73.2**	**486.8**	**35,625**	**6.4%**	–	–	–	–
Shusi	**3,553**	**24.6**	**87,254**	**15.6%**	3,220	26.9	86,643	22.5%
Zhuo'ao	**11,166**	**1.2**	**13,739**	**2.5%**	14,817	1.2	18,417	4.8%
Others	**10,464**	**1.9**	**20,264**	**3.6%**	7,250	1.9	13,908	3.6%
Subtotal			**156,882**	**28.1%**			118,968	30.9%
Miacalcic								
Miacalcic Injection	**218**	**181.9**	**39,718**	**7.1%**	–	–	–	–
Brand licensing fee income of Miacalcic Injection	**780**	**147.2**	**114,833**	**20.5%**	–	–	–	–
Subtotal			**154,551**	**27.6%**			–	–
Third-party pharmaceutical promotion and sales								
Libod	**45**	**3,598.9**	**162,053**	**29.0%**	52	3,472.6	179,483	46.5%
Service income for Libod	**31**	**2,652.8**	**82,608**	**14.8%**	32	2,581.3	82,602	21.4%
Others	**25**	**116.8**	**2,966**	**0.5%**	56	84.8	4,736	1.2%
Subtotal			**247,627**	**44.3%**			266,821	69.1%
Total			**559,060**	**100.0%**			385,789	100.0%

Revenue from proprietary products production and sales increased by RMB37.9 million or 31.9% to RMB156.9 million, accounting for 28.1% of total revenue for the six months ended 30 June 2017, as compared with RMB119.0 million or 30.9% of the Group's total revenue for the corresponding period in 2016. The substantial increase in revenue from proprietary products production and sales was due to two reasons. Firstly, Xi Di Ke was launched for sale in the market in April 2017, bringing revenue contribution to the Company of RMB35.6 million as of 30 June 2017. Secondly, Shusi recorded an increase in sales. The increase in revenue of Shusi was primarily due to increased market demand as well as improved management of inventory in the distribution channels which resulted in an increase of 333,000 units or 10.3% in sales volume for the six months ended 30 June 2017 from 3,220,000 units for the corresponding period in 2016, which was partially offset by a decrease of RMB2.3 or 8.6% in the average commercial selling price per unit to RMB24.6 for the six months ended 30 June 2017 from RMB26.9 for the corresponding period in 2016.

The Group successfully received Novartis' Miacalcic Sales License in China in late April 2017. Therefore, starting from late April 2017, the Group will cease to charge brand licensing fee income in China from Novartis and turn to sell this product directly. Miacalcic Injection contributed a revenue of RMB154.6 million to the Company for the six months ended 30 June 2017, as compared to nil for the corresponding period in 2016. Among which, RMB114.8 million was brand licensing fee income and RMB39.7 million was from proprietary sales.

Revenue from third-party pharmaceutical promotion and sales decreased by RMB19.2 million or 7.2% to RMB247.6 million, accounting for 44.3% of total revenue for the six months ended 30 June 2017, as compared with RMB266.8 million or 69.1% of the Group's total revenue in 2016. The decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to the revenue of Libod, an oncology drug manufactured by FDZH, decreased by RMB17.4 million or 6.6% to RMB244.7 million, accounting for 98.8% of the segment's total sales for the six months ended 30 June 2017, as compared with RMB262.1 million or 98.2% of the segment's total sales for the corresponding period in 2016. The decrease in revenue of Libod was primarily due to the decrease by 7,000 units or 13.5% in sales volume for the six months ended 30 June 2017 from 52,000 units for the corresponding period in 2016. In addition, included in the revenue of Libod in 2017 is a service income of RMB82.6 million, or RMB2,652.8 per unit sold, recognised under a contract between FDZH and a subsidiary of the Company. The service income was paid by FDZH to this subsidiary for the promotion of Libod.

Cost of Sales

For the six months ended 30 June 2017, cost of sales increased by RMB32.2 million or 14.0% to 261.2 million, as compared to RMB229.0 million for the six months ended 30 June 2016. The increase in the cost of sales during the year was mainly due to the launch of Xi Di Ke in the market and the sales of Miacalcic Injection.

Gross Profit

Products	For the six months ended 30 June			
	2017 Gross Profit *RMB'000*	**2017 Gross Profit Margin** *(%)*	2016 Gross Profit *RMB'000*	2016 Gross Profit Margin *(%)*
Proprietary products production and sales				
Xi Di Ke	**27,630**	**77.6%**	–	–
Shusi	**52,856**	**60.6%**	64,558	74.5%
Zhuo'ao	**7,056**	**51.4%**	9,868	53.6%
Others	**7,011**	**34.6%**	(807)	N/A
Subtotal	**94,553**	**60.3%**	73,619	61.9%
Miacalcic				
Miacalcic Injection	**19,355**	**48.7%**	–	–
Brand licensing fee income of Miacalcic Injection	**114,833**	**100.0%**	–	–
Subtotal	**134,188**	**86.8%**	–	–
Third-party pharmaceutical promotion and sales				
Libod	**68,776**	**28.1%**	83,473	31.8%
Others	**333**	**11.2%**	(349)	N/A
Subtotal	**69,109**	**27.9%**	83,124	31.2%
Total	**297,850**	**53.3%**	156,743	40.6%

Gross profit increased by RMB141.1 million or 90.0% to RMB297.8 million for the six months ended 30 June 2017, as compared to RMB156.7 million in 2016. Gross profit margin increased by 12.7 percentage points to 53.3% for the six months ended 30 June 2017 as compared to 40.6% for the corresponding period in 2016. The increase was mainly due to contribution from innovative drug Xi Di Ke with higher gross profit margin and newly acquired product, namely Miacalcic Injection.

Reportable Segment Operating Profit

The operating expenses of the segment increased by RMB72.2 million or 86.3% to RMB155.9 million for the six months ended 30 June 2017, as compared with RMB83.7 million for the corresponding period in 2016. An operating profit of RMB141.9 million was recorded for the six months ended 30 June 2017, as compared with RMB73.0 million for the corresponding period in 2016. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the six months ended 30 June 2017:

	For the six months ended 30 June			
Products	**2017 Operating Profit** ***RMB'000***	**2017 Operating profit margin** ***(%)***	2016 Operating Profit *RMB'000*	2016 Operating profit margin *(%)*
Proprietary products production and sales	**69,925**	**44.6%**	63,669	53.5%
Miacalcic	**113,870**	**73.7%**	–	N/A
Third-party pharmaceutical promotion and sales	**(41,878)**	**(16.9)%**	9,338	3.2%
Total	**141,917**	**25.4%**	73,007	18.9%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB21.6 million or 270.0% to RMB29.6 million for the six months ended 30 June 2017, as compared to RMB8.0 million for the six months ended 30 June 2016. The significant increase in finance costs was mainly due to finance costs relative to the new loans.

Taxation

Income tax expense was RMB9.0 million for the six months ended 30 June 2017 as compared to an income tax expense of RMB4.0 million for the six months ended 30 June 2016. 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 six months ended 30 June 2017 was RMB80.7 million as compared to a net profit of RMB50.0 million for the six months ended 30 June 2016. Core profit attributable to equity holders of the Company for the six months ended 30 June 2017 was RMB81.8 million as compared to a core profit of RMB51.3 million for the six months ended 30 June 2016, which was mainly attributable to contribution from innovative drug Xi Di Ke and newly acquired product, namely Miacalcic Injection.

Earnings per Share

The calculation of basic earnings per share 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 six months ended 30 June 2017.

The calculation of diluted earnings per share 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 six months ended 30 June 2017 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

	At 30 June	
	2017	2016
Profit attributable to equity shareholders of the Company (RMB'000)	**80,673**	50,068
Plus: equity-settled share option expenses (RMB'000)	**462**	1,396
Plus: share of loss/(profit) of an associate (RMB'000)	**26**	(970)
Plus: net exchange loss (RMB'000)	**648**	602
Plus: net loss on disposal of property, plant and equipment (RMB'000)	**13**	155
Core profit attributable to equity shareholders of the Company (RMB'000)	**81,822**	51,251
Weighted average number of ordinary shares in issue ('000)	**1,558,393**	1,557,998
Weighted average number of ordinary shares in issue after taking into the effect of shares issued upon exercise of share options ('000)	**1,592,031**	1,582,814
Basic earnings per share (RMB cent per share)	**5.18**	3.21
Diluted earnings per share (RMB cent per share)	**5.07**	3.16
Basic core earnings per share (RMB cent per share)	**5.25**	3.29
Diluted core earnings per share (RMB cent per share)	**5.14**	3.24

The core profit attributable to equity holders of the Company is the profit attributable to equity holders 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 decreased by RMB11.6 million or 69.5% to RMB5.1 million for the six months ended 30 June 2017, as compared to RMB16.7 million for the six months ended 30 June 2016. The capital expenditure was mainly used for fixed assets and intangible assets acquired by the Group.

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 six months ended 30 June 2017, the Group record a net exchange gain of RMB0.6 million, as compared to a net exchange gain of RMB0.6 million for the six months ended 30 June 2016. 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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total debt	**(917,977)**	(892,449)
Pledged bank deposits, cash and cash equivalents	**548,177**	222,624
Net debt	**(369,800)**	(669,825)

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Repayable:		
Within 1 year or on demand	**785,478**	892,449
After 1 year	**132,499**	–
	917,977	892,449

The Group's bank borrowings of RMB778.4 million as at 30 June 2017 (2016: RMB703.5 million) were bank borrowings of RMB10.4 million (2016: RMB11.0 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of RMB768.0 million (2016: RMB692.5 million) at fixed interest rate ranging from 4.3% to 6.5% per annum.

The Group issued 294,659,500 Convertible Preferred Shares at price of HK$1.83 per Share in June 2017. Debt element of the Convertible Preferred Shares was RMB139.6 million and has been accounted for financial liabilities at fair value through profit or loss during the period.

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.

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total debt	**917,977**	892,449
Total assets	**2,921,135**	2,562,739
Debt-to-assets ratio	**31.4%**	34.8%

Charges on the Group's Assets

As at 30 June 2017, the Group's bank deposits of RMB136.2 million (31 December 2016: RMB133.0 million) were pledged to the banks to secure certain bank loans and bills payable in total of RMB162.2 million (31 December 2016: RMB151.0 million). As at 30 June 2017, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB271.4 million (31 December 2016: RMB244.9 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 30 June 2017:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– intangible assets: Miacalcic Nasal Spray	**230,330**	450,905
– property, plant and equipment	**460**	474
– investment in an associate	**20,000**	28,000
– intangible assets: computer software	**1,391**	2,300
	252,181	481,679

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 year	**15,949**	14,001
After 1 year but within 5 years	**20,132**	29,963
Over 5 years	**–**	313
	36,081	44,277

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 six months ended 30 June 2017.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies for the period ended 30 June 2017.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the six months ended 30 June 2017.

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

8. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Apart from a total of 8,318,000 shares purchased by the trustee of the Share Award Scheme on the Stock Exchange at the price of approximately HK$14,576,000 in aggregate pursuant to the terms of the Share Award Scheme and the Trust Deed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

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 2017 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 terms no less exacting than the requested standard set out in the Model Code. 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 2017. The Company continues and will continue to ensure compliance with the corresponding provisions set out in the Model Code.

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

12. REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Patrick Sun (Chairman), Mr. Yu Tze Shan Hailson 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 2017 and has recommended its adoption by the Board. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards.

13. EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, the Group has no significant events after the reporting period required to be disclosed.

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

Hong Kong, 21 August 2017

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 Ms. Lou Jianying; and the independent non-executive directors of the Company are Mr. Patrick Sun, Dr. Lap-Chee Tsui and Mr. Yu Tze Shan Hailson.