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 2018

HIGHLIGHTS

- The overall revenue of the Group from continuing operations for the six months ended 30 June 2018 was RMB312.0 million.
- Gross profit of the Group increased by RMB12.0 million or 5.2% to RMB241.1 million for the six months ended 30 June 2018, and such increase was attributable to the products with higher gross profit margins; gross profit margin increased by 4.4 percentage points to 77.3%.
- For the six months ended 30 June 2018, the Group's profit was RMB84.3 million.
- Basic earnings per share was RMB5.28 cents for the six months ended 30 June 2018, as compared to basic earnings per share of RMB5.18 cents for the corresponding period in 2017.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2018, together with the comparative figures for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue		**311,985**	314,399
Cost of sales		**(70,844)**	(85,325)
Gross profit		**241,141**	229,074
Other revenue	4	**545**	9,595
Other net loss	5	**(1,751)**	(662)
Selling and distribution expenses		**(50,043)**	(46,225)
Administrative expenses		**(51,693)**	(50,309)
Fair value change on financial liabilities at fair value through profit or loss		**4,320**	–
Share of loss of an associate		**(1)**	(26)
Equity-settled share option expenses		**(34)**	(462)
Profit from operations		**142,484**	140,985
Finance costs		**(26,290)**	(29,583)
Profit before taxation	6	**116,194**	111,402
Income tax expense	7	**(10,297)**	(9,013)
Profit for the period from continuing operations		**105,897**	102,389

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
Discontinued operation			
Loss for the period from discontinued operation		**(21,568)**	(22,211)
Profit for the period		**84,329**	80,178
Attributable to:			
Equity holders of the Company		**82,940**	80,673
Non-controlling interests		**1,389**	(495)
Profit for the period		**84,329**	80,178
Profit attributable to equity shareholders of the Company arises from:			
Continuing Operations		**104,508**	102,884
Discontinued Operation		**(21,568)**	(22,211)
		82,940	80,673
Earnings per Share	8		
From continuing and discontinued operations			
Basic		**5.28 cents**	5.18 cents
Diluted		**4.48 cents**	5.07 cents
Earning per Share			
From continuing operations			
Basic		**6.65 cents**	6.60 cents
Diluted		**5.64 cents**	6.46 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**84,329**	80,178
Other comprehensive income for the period		
Exchange differences on translation of financial statements of entities outside the PRC	**(1,442)**	(4,691)
Total comprehensive income for the period	**82,887**	75,487
Attributable to:		
Equity holders of the Company	**81,498**	75,982
Non-controlling interests	**1,389**	(495)
Total comprehensive income for the period	**82,887**	75,487
Total Comprehensive income for the period attributable to owners of the Company arise from:		
Continuing operations	**103,066**	98,193
Discontinued operation	**(21,568)**	(22,211)
	81,498	75,982

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**240,407**	250,355
– Interests in leasehold land held for own use under operating leases		**41,528**	41,985
		281,935	292,340
Intangible assets		**1,312,656**	1,301,926
Goodwill		**–**	–
Interest in an associate, net		**18,891**	18,892
Available-for-sale financial asset		**537**	533
Deferred tax assets		**56,594**	56,885
		1,670,613	1,670,576
Current assets			
Inventories		**63,863**	65,313
Trade and other receivables	9	**769,177**	811,792
Pledged bank deposits		**78,000**	65,170
Cash at banks and in hand		**184,900**	146,868
		1,095,940	1,089,143

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current liabilities			
Trade and other payables	10	**479,860**	509,839
Bank and other borrowings	11	**599,352**	656,055
Financial liabilities at fair value through profit or loss		**9,559**	7,095
Current taxation		**40,747**	34,014
		1,129,518	1,207,003
Net current liabilities		**(33,578)**	(117,860)
Total assets		**2,766,553**	2,759,719
Total assets less current liabilities		**1,637,035**	1,552,716
Non-current liabilities			
Considerations payable		**–**	–
Financial liabilities at fair value through profit or loss		**96,582**	123,963
		96,582	123,963
NET ASSETS		**1,540,453**	1,428,753
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**1,530,690**	1,420,379
Total equity attributable to equity holders of the Company		**1,530,691**	1,420,380
Non-controlling interests		**9,762**	8,373
TOTAL EQUITY		**1,540,453**	1,428,753

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 People's Republic of China ("**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 2018 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2017.

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 2018, 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 two 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 and Miacalcic Nasal Spray 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 and Miacalcic Nasal Spray.

(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 2018 and 2017 is set out below.

Continuing Operations

	Proprietary products production and sales Six months ended 30 June		Miacalcic Six months ended 30 June		Total Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited) (Restated)
Reportable segment revenue	**160,007**	159,848	**151,978**	154,551	**311,985**	314,399
Cost of sales	**(48,308)**	(64,962)	**(22,536)**	(20,363)	**(70,844)**	(85,325)
Reportable segment gross profit	**111,699**	94,886	**129,442**	134,188	**241,141**	229,074
Reportable segment operating profit	**63,241**	50,258	**104,613**	113,870	**167,854**	164,128

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

	Continuing Operations Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Revenue		
Reportable segment revenue and consolidated revenue	**311,985**	314,399
Profit		
Reportable segment operating profit	**167,854**	164,128
Unallocated head office and corporate expenses	**(28,449)**	(31,588)
Other revenue	**545**	9,595
Fair value change on financial liabilities at fair value through profit or loss	**4,320**	–
Other net loss	**(1,751)**	(662)
Finance costs	**(26,290)**	(29,583)
Share of loss of an associate	**(1)**	(26)
Equity-settled share option expenses	**(34)**	(462)
Consolidated profit before taxation	**116,194**	111,402

4. OTHER REVENUE

	Continuing Operations Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Bank interest income	**1,197**	69
Government subsidy income	**315**	10,000
Other loss	**(967)**	(474)
	545	9,595

5. OTHER NET LOSS

	Continuing Operations Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
Net loss on disposal of property, plant and equipment	**–**	14
Net exchange loss	**1,751**	648
	1,751	662

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Continuing Operations Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
Depreciation of property, plant and equipment	**10,610**	8,430
Amortisation of interests in leasehold land held for own use under operating leases	**457**	457
Amortisation of intangible assets	**348**	206
Asset impairment losses:		
– inventories	**182**	22
– trade debtors	**687**	3,785
Operating lease charges in respect of properties	**6,718**	5,245
Cost of inventories sold	**71,214**	85,520
Reversal of impairment for inventories	**(552)**	(217)
Reversal of impairment for trade debtors	**(10,783)**	(5,615)

7. INCOME TAX

	Continuing Operations Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Current tax – PRC Income Tax		
Provision for the period	**10,006**	8,469
Deferred tax		
Origination and reversal of temporary differences	**291**	544
Income tax expense	**10,297**	9,013

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% (2017: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the six months ended 30 June 2018, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained losses for Hong Kong profits tax purpose.

For the six months ended 30 June 2018, the Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2017: 25%), except that Suzhou First is subject to income tax rate of 15% (2017: 15%).

8. EARNINGS PER SHARE

(a) Basic earnings per Share

The calculation of basic earnings per share of the Company ("**Share**") is based on the profit attributable to the equity holders of the Company for the six months ended 30 June 2018 of RMB82,940,000 (2017: RMB80,673,000) and the weighted average number of 1,572,106,031 (2017: 1,558,393,288) ordinary Shares 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 2018 of RMB82,940,000 (2017: RMB80,673,000) and the weighted average number of 1,851,827,041 (2017: 1,592,031,242) ordinary Shares in issue after adjusting for the effect of all dilutive potential ordinary Shares.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade debtors and bills receivable	**1,199,802**	1,270,563
Less: Allowance for doubtful debts	**(614,597)**	(618,457)
	585,205	652,106
Deposits, prepayments and other receivables	**183,972**	159,686
	769,177	811,792

As at 30 June 2018, none (31 December 2017: nil) 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 at the date of the statement of financial position:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**300,235**	221,542
More than 3 months but within 6 months	**3,191**	19,098
More than 6 months but within 1 year	**157,413**	263,294
More than 1 year	**124,366**	148,172
	585,205	652,106

10. TRADE AND OTHER PAYABLES

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**28,607**	15,875
Bills payable	**288,000**	115,895
Total trade creditors and bills payable	**316,607**	131,770
Receipts in advance from customers	**11,649**	12,573
Accrued promotional expenses	**14,500**	17,563
Accrued staff costs	**2,548**	3,109
Considerations payable	**77,720**	223,712
Other payables and accruals	**56,836**	121,112
	479,860	509,839

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as at the date of the statement of financial position:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Within 3 months	**316,043**	124,136
More than 3 months but within 6 months	**274**	4,989
More than 6 months but within 1 year	**89**	246
More than 1 year	**201**	2,399
	316,607	131,770

11. BANK AND OTHER BORROWINGS

As at 30 June 2018, the bank loans comprised:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Bank borrowings	**599,352**	656,055
Other borrowings	**–**	–
	599,352	656,055
Secured	**599,352**	656,055
Unsecured	**–**	–
	599,352	656,055

As at 30 June 2018, the banking facilities were secured by certain assets of the Group as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Fixed assets	**46,336**	84,693
Pledged bank deposits	**30,000**	170
	76,336	84,863

12. DIVIDEND

No dividend was declared or paid by the Company for the six months ended 30 June 2018.

13. COMPARATIVE AMOUNTS

During the six months ended 30 June 2017, the Group engaged in the business of Libod which was discontinued after 31 December 2017. Therefore, for the corresponding period in 2017, adjustments have been made and certain comparative amounts have been restated to exclude the results of such discontinued operation so as to conform to the current period's presentation and accounting treatment.

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

NT Pharma is a technology-based pharmaceutical company integrated with research and development ("**R&D**"), manufacturing and sales of its own products. With its products covering therapeutic areas including central nervous system ("**CNS**"), osteology, oncology and hematology. NT Pharma owns two new National Class 1 drugs, one well-known international innovative brand-name drug, and a number of generic drugs. The Group conducts its manufacturing through three subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("**Suzhou First**"), Jiangsu NT Biopharma Co., Ltd. ("**Jiangsu Biopharma**") and NT Pharma (Changsha) Co., Ltd. ("**Changsha Pharma**"). The Group owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. It also has an extensive sales network in China, covering nearly 10,000 hospitals.

In the first half of 2018, the Group devoted much effort to establishing its sales team, optimizing its product matrix and strengthening its R&D capabilities. The overall revenue of the Group from continuing operations for the period ended 30 June 2018 (the "**Period under review**") decreased by RMB2.4 million to RMB312.0 million, as compared with RMB314.4 million for the corresponding period in 2017. Operating profit from continuing operations for the period ended 30 June 2018 increased by RMB3.5 million to RMB105.9 million, as compared with an operating profit of RMB102.4 million for the corresponding period in 2017. The Group recorded a net profit of RMB84.3 million for the period ended 30 June 2018, as compared with a net profit of RMB80.2 million for the corresponding period in 2017, representing an increase of 5.1% year on year.

BUSINESS REVIEW

In the first half of 2018, there was ongoing reform of the medical system in China, and a string of pharmaceutical policies were announced. On 3 April 2018, the General Office of the State Council issued the "Opinions on Reforming and Improving the Policy for Supply Guarantee and Use of Generic Drugs" (《關於改革完善仿製藥供應保障及使用政策的意見》), supporting the R&D of generic drugs, raising the quality and efficacy of generic drugs, encouraging capable pharmaceutical corporations to challenge patented brands, so as to remove the market dominance of patented drugs and achieve the inter-changeability between generic drugs and original patented drugs clinically. The Group believes that the favorable policies and more regulated market environment will lay a good foundation for the long-term development of China's pharmaceutical industry and bring more opportunities to the Group at the same time.

2018 is a year to consolidate its past achievements and strive for new progress for the Group. During the Period under review, the Group proactively enhanced the development in the three core areas, namely CNS, osteology and oncology and hematology. At the same time, the Group adhered to its business philosophy of "constant innovation and meticulous work", resulting in the integrated management and effective coordination in the product-based approach, innovative development, R&D, manufacturing and sales in order to provide a solid foundation for the Group's future growth. Under the opportunities and challenges from the transformation, the Group uplifted its competitiveness by implementing strategies to optimize product lines of the three core areas, conduct effective deployments and allocation in the market and make efforts in developing sales and marketing models.

In the area of CNS, Shusi (generic name: quetiapine fumarate tablets), the Group's atypical antipsychotic drug, is the Group's first self-developed, produced and sold product. With more than 15 years of development, Shusi has been widely recognized by clinical specialists and the industry, and currently takes an important position in the quetiapine generic drug market. During the Period under review, the Group established its sales team and proactively built its sales network. On one hand, it took over and deepened the sales channels in third and fourth-tier cities, and on the other hand, it supplemented the markets and channels in first and second-tier cities, so as to enhance brand awareness and market penetration of Shusi. To further increase the competitiveness of Shusi, the Group also commenced the clinical trial of consistency evaluation during the Period under review and jointly developed the quetiapine fumarate extended-release preparations project with Shanghai Handu Pharmaceutical Technology Co., Ltd. (上海漢都醫藥科技有限公司) ("**Shanghai Handu**"). It is expected that the market advantage of Shusi will be significantly increased after the completion of consistency evaluation and the extended-release preparations project, which will boost its sales and enlarge its market share.

Shusi is a proprietary product of Suzhou First. In December 2013, Shusi was approved by the China Food and Drug Administration ("**CFDA**") for treatment of schizophrenia and maniacalis insultus as a result of bipolar affective disorder. Shusi is an atypical antipsychotic first-tier drug with reliable safety and good therapeutic effects on first-time psychiatric patients, elderly patients and adolescent patients. Shusi is listed on both the National Reimbursement Drug List and the National Essential Drugs List and is a state-approved prescription medicine. Shusi is a mature brand with high recognition in the quetiapine market and competitive pricing, and against the backdrop of China's encouragement of generic drugs, this product will have tremendous growth potential and will continue to play a key role in the future development of the Group.

In the area of orthopedics, the acquisition of the two orthopedics formulations, injection and nasal spray, of Miacalcic (generic name: salmon calcitonin) was completed by the Group in 2016 and 2017. Miacalcic has been for clinical use for more than 30 years, which is highly recognized in the orthopedics area in terms of its efficacy and brand. During the Period under review, the Group's sales team rapidly built up close relationships with domestic orthopedists and provided professional services. The Group's Miacalcic has been selling in 32 provinces, 36 first-tier cities across the country as well as 12 overseas countries, laying a solid foundation for the Group's orthopedics business and strategic development.

As a well-known international orthopedic brand, Miacalcic is mainly used in the treatment for bone pain resulted from osteolysis and low bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome. The Miacalcic recorded a stable sales with a global sales network covering China and other countries and regions. The Group has strategically established its presence in the area of orthopedic treatment and secured its market position.

To further strengthen the Group's strategic development in the orthopedics area, the Group entered into a cooperation agreement with Pfenex Inc. ("**Pfenex**"), a United States ("**U.S.**") biotechnology company, in April 2018 to jointly develop teriparatide products. Under the agreement, the Group has exclusive right to commercialize teriparatide products in five countries and regions including China, Hong Kong, Thailand, Singapore and Malaysia. During the Period under review, the overall clinical R&D results of the teriparatide products were remarkably satisfactory. The new drug application to the U.S. Food and Drug Administration ("**FDA**") is expected to be submitted as scheduled in the third quarter of 2018.

Teriparatide is an important drug in the area of osteoporosis treatment. It is the first, and the only FDA-approved drug for the treatment of osteoporosis, which can be used to stimulate bone formation, increase bone mass and improve bone quality. In recent years, the Group has made much effort in developing the orthopedic area. Teriparatide and Miacalcic, an existing orthopedic product, will create synergy effects in achieving complementary advantages in the orthopedic product mix. As aging and osteoporosis symtoms are becoming more and more common, the Group aims to provide better-quality drugs to patients, and further reinforce its market position in the orthopedics area.

In the areas of oncology and hematology, Xi Di Ke (generic name: uroacitide injection), a national class 1 new drug, has been approved by the CFDA for the treatment of non-small cell lung cancer and terminal breast cancer. During the Period under review, the Group sped up the admission work of Xi Di Ke and successfully had it admitted into the medicine catalogue for medical insurance of both Jiangsu and Anhui provinces. The Group commenced the clinical research work for Xi Di Ke in new MDS indications and obtained the approval of CFDA to enter the green channel for fast approval of innovative drugs. Meanwhile, it also received the central subsidies of total RMB5.9 million under the new drug project division of the National Health and Family Planning Commission in April 2018, which further demonstrated the PRC government's support towards the Group's research work on Xi Di Ke in MDS indications.

Xi Di Ke is a proprietary product of Jiangsu Biopharma. Xi Di Ke was awarded the new Good Manufacturing Practices ("**GMP**") certification by the CFDA in March 2017 and was officially commercialized in hospitals starting from April 2017. The first prescription of Xi Di Ke was issued in June of the same year. In terms of new indications, as Xi Di Ke is the only drug for the treatment of low and medium risk MDS in the market, it has exclusive treatment advantage. Xi Di Ke has also demonstrated good treatment results and safety in clinical trials.

During the Period under review, the Group focused on building its sales team and strengthening its marketing efforts. Since the beginning of the year, the Group has built a sales team of over 500 members and provided 200 hours internal training to ensure the professionalism. Meanwhile, the Group implemented the marketing approach of "one product one strategy", arranged face-to-face meetings and organized targeted product seminars, so that the doctors and medical institutions of relevant areas can have a better understanding of the Group's products in order to establish a professional brand image in the industry. In addition, the Group has also established a team of experts from across the country and organized Xi Di Ke MDS seminars, which received very positive feedbacks and evaluations. As of 30 June 2018, the Group has held more than 2,000 academic forums and seminars on our products, effectively improving the brand image and recognition of the Group's drugs. Currently, the Group's products have been covering a sales network of more than 329 cities across the country with a total of 7,418 hospitals.

OPERATING RESULTS

Sales

The Group's business is currently composed of two major operating segments, i.e. proprietary products manufacturing and sales and promotion of Miacalcic.

The Group's proprietary products include Shusi, Xi Di Ke, Zhuo'ao, Songzhi Wan and other drugs. For the six months ended 30 June 2018, the total revenue from manufacturing and sales of proprietary products increased by RMB0.2 million or 0.1% to RMB160.0 million, as compared with RMB159.8 million for the corresponding period in 2017. Revenue of Shusi increased by RMB11.4 million or 13.1% to RMB98.7 million for the Period under review, as compared with RMB87.3 million for the corresponding period in 2017. The increased sales amount of Shusi was attributable to the positive impact brought by the price adjustment of Shusi after the shift of sales model from agency to proprietary sales during the Period under review. For the six months ended 30 June 2018, revenue from Xi Di Ke amounted to RMB34.3 million, as compared with RMB35.6 million for the corresponding period in 2017. Revenue of Zhuo'ao increased by RMB0.3 million or 2.2% to RMB14.0 million, as compared with RMB13.7 million for the corresponding period in 2017. The slight increase in sales amount of Zhuo'ao was mainly due to the positive impact brought by the price adjustment of Zhuo'ao after the shift of sales model from agency to proprietary sales during the Period under review.

For the six months ended 30 June 2018, revenue from the Miacalcic segment amounted to RMB152.0 million, as compared with RMB154.6 million for the corresponding period in 2017. Brand licensing fee income of Miacalcic Injection decreased by RMB111.0 million or 96.7% to RMB3.8 million for the Period under review from RMB114.8 million for the corresponding period in 2017. Revenue from Miacalcic Injection increased by RMB78.2 million or 197.0% to RMB117.9 million for the Period under review, as compared with RMB39.7 million for the corresponding period in 2017. Brand licensing fee income of Miacalcic Nasal Spray amounted to RMB26.5 million, whereas no brand licensing fee income of Miacalcic Nasal Spray has been recorded for the corresponding period in 2017. Revenue from Miacalcic Nasal Spray amounted to RMB3.7 million for the Period under review, whereas no revenue in relation to Miacalcic Nasal Spray has been recorded for the corresponding period in 2017.

HUMAN RESOURCES

As at 30 June 2018, the Group had 802 full-time employees (30 June 2017: 616 employees). For the period ended 30 June 2018, the Group's total costs on remuneration, welfare and social security amounted to RMB78.5 million (30 June 2017: RMB51.8 million). The Group maintains good relationships with its employees and certain policies have been carried out to ensure that the employees are receiving competitive remuneration, good welfare and continuous professional training.

The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards. On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the 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 of the 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 according to their individual performances within the 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.

Outlook

2018 is the third year in the "Thirteenth Five-Year Plan" in the PRC. The State Council of the PRC has issued the 13th Five-Year Plan for Deepening the Medical and Health System Reform, which has generally established a more systematic framework of basic medical and health system and policy in 2018.

In the short-run, the Chinese government will proactively implement the policy of integrating medical coverage and medical insurance, continuously increase expenditure on medical insurance, accelerate the establishment of a basic medical and health system framework, and further optimize the medical insurance system. At the same time, a series of reforms are in full swing, such as reformation regarding the medical practice of doctors, the separation of prescribing from dispensing, the abolishment of mark-ups on drug prices, the promotion of the establishment of a pilot integrated medical system and hierarchical diagnosis system, the consolidation of three medical insurance programs into one and reform on medical care payment, rational use of medicines, medical cost containment, drug admittance regulations, consistency evaluation of generic drugs, medical two invoice system, etc. The above reform measures will immensely affect the development of the pharmaceutical industry. Fully integrated pharmaceutical companies which encompass R&D, manufacturing and sales will face challenges as well as great development opportunities.

In the second half of the year, the Group will continue to introduce measures to enhance the competitive edges of its business. We plan to implement the following strategies:

Strengthen the competitiveness of existing products

We will continue to optimize our current products. On the one hand, the Group will expedite the clinical work on the consistency evaluation of Shusi, strive to complete the drug application and enhance the acceptability of Shusi in the quetiapine fumarate tablets market. On the other hand, the Group will continue to give impetus to the development of quetiapine fumarate sustained release tablets in order to maintain the brand competitiveness of Shusi. Meanwhile, the Group targets to accomplish the inclusion of 60 cases of new MDS indications of Xi Di Ke, actively push forward the clinical work of MDS indications so as to enhance the clinical value of Xi Di Ke. In addition, the Group will accelerate the admission of Xi Di Ke to medical insurance catalogues of at least two provinces including Chongqing and Guangdong, to expand its medical insurance coverage.

Actively explore merger and acquisition opportunities under the consolidation in the industry

The Group will continue to focus on the investment opportunities in the industry, proactively seek to acquire products with good market potentials and in line with the development plan, in three major areas including CNS, osteology and oncology and hematology. The Group is committed to building a core product portfolio in these three major areas, not only to provide the growth momentum for long-term development, but also to create greater synergies in the Group's manufacturing and sales.

Uplift our innovative and R&D capabilities

In the future, the Group will continue its cooperative efforts with Pfenex, Shanghai Handu as well as other domestic and overseas R&D institutions and platforms, so as to improve the Group's R&D efficiency through close cooperation and resource sharing with our partners. Meanwhile, we focus on the three core areas, with an aim to develop more innovative and competitive drug candidates with global commercial values.

The Group expects that the teriparatide product, which we develop in cooperation with Pfenex, will be submitted for approval in the second half of the year. Upon the approval by U.S. FDA, we will start the sales in overseas market and proceed to preparing for the CFDA approval application.

Further consolidate the brands of NT Pharma

The Group will continue to monitor the quality of products and maintain the brand image. At the same time, we will work with the well-known industry experts and professors in China as well as overseas to organize and participate in seminars devoted particularly to doctors of CNS, osteology, oncology and hematology. In these seminars, we will grasp opportunities to promote the products of the Group. We will also strengthen the cooperation with various academic institutions and hospitals, host academic seminars of different levels in different areas, with an aim to further enhance the influence of our brand.

As the results of years' efforts on internal and external development, the Group has transformed into a professional pharmaceutical enterprise with integrated manufacturing, sales and R&D. We will be well-positioned to capture favorable opportunities arising in the pharmaceutical market in China. On the one hand, in the areas of our core competence, we will acquire more products with high technology contents, increase the number of mature products and innovative drugs, so as to expedite our development in the areas of CNS, osteology, oncology and hematology. On the other hand, we will strengthen our sales capability, further consolidate our market position by enlarging the market share of the existing products. The Group believes that the above strategies will bring positive synergy and operating performance for the Group and provide the capital market with a favorable opportunity for revaluating the Group, so as to maximize the returns to its shareholders.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

	For the six months ended 30 June							
	2018 Sales volume *'000*	**2018 Unit price** *RMB*	**2018 Sales amount** *RMB'000*	**2018 Proportion** *(%)*	2017 Sales volume *'000*	2017 Unit price *RMB*	2017 Sales amount *RMB'000*	2017 Proportion *(%)*
Proprietary products production and sales								
Shusi	**3,137**	**31.5**	**98,747**	**31.7%**	3,553	24.6	87,254	27.8%
Xi Di Ke	**73.4**	**467.3**	**34,301**	**11.0%**	73.2	486.8	35,625	11.3%
Zhuo'ao	**7,049**	**2.0**	**14,027**	**4.5%**	11,166	1.2	13,739	4.4%
Others	**7,839**	**1.6**	**12,932**	**4.1%**	10,464	1.9	23,230	7.4%
Subtotal			**160,007**	**51.3%**			159,848	50.8%
Miacalcic								
Miacalcic Injection	**649**	**181.7**	**117,920**	**37.8%**	218	181.9	39,718	12.6%
Miacalcic Nasal Spray	**16**	**232.7**	**3,723**	**1.2%**	–	–	–	–
Brand licensing fee income of Miacalcic Injection	**85**	**45.2**	**3,839**	**1.2%**	780	147.2	114,833	36.5%
Brand licensing fee income of Miacalcic Nasal Spray	**146**	**181.0**	**26,496**	**8.5%**	–	–	–	–
Subtotal			**115,978**	**48.7%**			154,551	49.2%
Total			**311,985**	**100%**			314,399	100%

Revenue from manufacturing and sales of proprietary products increased by RMB0.2 million to RMB160.0 million, accounting for 51.3% of the total revenue in the Period under review, as compared with RMB159.8 million or 50.8% of the Group's revenue in the corresponding period in 2017. The increase in revenue from manufacturing and sales of proprietary products was due to the positive impact brought by the unit price adjustment of propriety products Shusi and Zhuo'ao after the shift of sales model from agency to proprietary sales during the Period under review.

The Company completed the acquisition of Miacalcic Nasal Spray in October 2017, after the completion of the acquisition and settlement in respect of Miacalcic Injection in July 2016. Miacalcic contributed income of RMB152.0 million to the Company for the six months ended 30 June 2018 as compared to RMB154.6 million for the corresponding period in 2017.

Cost of Sales

For the six months ended 30 June 2018, cost of sales decreased by RMB14.5 million to RMB70.8 million, as compared with RMB85.3 million for the corresponding period in 2017. The decrease in cost of sales was mainly due to the decrease in cost of sales of Shusi and Zhuo'ao during the Period under review.

Gross Profit

	For the six months ended 30 June			
Products	**2018 Gross Profit** *RMB'000*	**2018 Gross Profit Margin**	2017 Gross Profit *RMB'000*	2017 Gross Profit Margin
Proprietary products production and sales				
Shusi	**75,750**	**76.7%**	52,856	60.6%
Xi Di Ke	**29,674**	**86.5%**	27,630	77.6%
Zhuo'ao	**8,683**	**61.9%**	7,056	51.4%
Others	**(2,408)**	**(18.6)%**	7,344	31.6%
Subtotal	**111,699**	**69.8%**	94,886	59.4%
Miacalcic				
Miacalcic Injection	**96,061**	**81.5%**	19,355	48.7%
Miacalcic Nasal Spray	**3,046**	**81.8%**	–	–
Brand licensing fee income of Miacalcic Injection	**3,839**	**100.0%**	114,833	100.0%
Brand licensing fee income of Miacalcic Nasal Spray	**26,496**	**100.0%**	–	–
Subtotal	**129,442**	**85.2%**	134,188	86.8%
Total	**241,141**	**77.3%**	229,074	72.9%

Gross profit increased by RMB12.0 million to RMB241.1 million in the six months ended 30 June 2018, as compared with RMB229.1 million in the corresponding period in 2017. Gross profit margin increased by 4.4 percentage points to 77.3% for the six months ended 30 June 2018, as compared with 72.9% for the corresponding period in 2017. The increase in gross profit margin was mainly due to the increase in average selling prices and sales contribution of products with higher gross profit margin such as Shusi and Xi Di Ke, as well as the revenue contribution from Miacalcic.

Reportable Segments Operating Profit

The operating expenses of the Group increased by RMB8.4 million or 12.9% to RMB73.3 million for the six months ended 30 June 2018, as compared with RMB64.9 million for the corresponding period in 2017. The Group reported an operating profit of RMB167.9 million for the six months ended 30 June 2018, as compared with RMB164.1 million for the corresponding period in 2017. The following table sets forth a breakdown of the Group's operating profit by reportable segments for the six months ended 30 June 2018:

	For the six months ended 30 June			
Products	**2018 Operating Profit** *RMB'000*	**2018 Operating profit margin**	2017 Operating Profit *RMB'000*	2017 Operating profit margin
Proprietary products production and sales	**63,241**	**39.5%**	50,258	31.4%
Miacalcic	**104,613**	**68.8%**	113,870	73.7%
Total	**167,854**	**53.8%**	164,128	50.2%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB3.3 million or 11.1% to RMB26.3 million for the six months ended 30 June 2018, as compared to RMB29.6 million for the corresponding period in 2017. The decrease in finance costs was mainly due to a decrease in bank borrowings as compared with the corresponding period in 2017.

Taxation

Income tax expense was RMB10.3 million for the six months ended 30 June 2018 as compared to an income tax expense of RMB9.0 million for the corresponding period in 2017.

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 2018 was RMB82.9 million as compared to a net profit of RMB80.7 million for the corresponding period in 2017. Core profit attributable to equity holders of the Company for the six months ended 30 June 2018 was RMB84.7 million as compared to a core profit of RMB81.8 million for the corresponding period in 2017.

Earnings per Share

The basic earnings per share and basic core earnings per share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2018. The diluted earnings per share and diluted core earnings per share are calculated by dividing the profit attributable to equity holders of the Company and the core profit attributable to equity holders of the Company, respectively, by the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2018 (with adjustments made for all potential dilution effect of the ordinary shares).

	As at 30 June	
	2018	2017
Profit attributable to equity shareholders of the Company (RMB'000)	**82,940**	80,673
Plus: equity-settled share option expenses (RMB'000)	**34**	462
Plus: share of loss of an associate (RMB'000)	**1**	26
Plus: net exchange loss (RMB'000)	**1,751**	648
Plus: net loss on disposal of property, plant and equipment (RMB'000)	**–**	13
Core profit attributable to equity shareholders of the Company (RMB'000)	**84,726**	81,822
Less: Fair value gain on financial liabilities of convertible preference shares (RMB'000)	**(4,320)**	–
Diluted core profit attributable to equity shareholders of the Company (RMB'000)	**80,406**	81,822
Weighted average number of ordinary shares in issue ('000)	**1,572,106**	1,558,393
Weighted average number of ordinary shares in issue after taking into the effect of shares issued upon exercise of share options ('000)	**1,851,827**	1,592,031
Basic earning per share (RMB cent per share)	**5.28**	5.18
Diluted earnings per share (RMB cent per share)	**4.48**	5.07
Basic core earnings per share (RMB cent per share)	**5.39**	5.25
Diluted core earnings per share (RMB cent per share)	**4.34**	5.14

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 loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment and intangible assets and interests in subsidiaries.

Capital Expenditure

Total capital expenditure increased by RMB143.1 million or 2,805.9% to RMB148.2 million for the six months ended 30 June 2018, as compared with RMB5.1 million for the corresponding period in 2017. The capital expenditure was mainly used for acquiring the exclusive intellectual property rights and distribution rights relating to Miacalcic Injectable drug products.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the 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. The Group recorded a net exchange loss of RMB1.8 million for the six months ended 30 June 2018, while the net exchange loss of the Group for the corresponding period in 2017 was RMB0.6 million. Currently, the Group does not employ any financial instruments to hedge foreign exchange risk.

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. Currently, the Group does not employ any financial instruments to hedge against interest rate risk.

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total debt	**(705,493)**	(787,113)
Pledged bank deposits, cash and cash equivalents	**262,900**	212,038
Net debt	**(442,593)**	(575,075)

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Repayable:		
Within 1 year or on demand	**599,352**	656,055
After 1 year	**–**	–
	599,352	656,055

The Group's bank borrowings as at 30 June 2018 were approximately RMB599.4 million (31 December 2017: RMB656.1 million), out of which RMB402.5 million were bank borrowings from banks in the PRC (31 December 2017: RMB433.0 million) with fixed interest rates ranging from 4.3% to 6.5% per annum. As at 30 June 2018, the Group's bank borrowings of approximately RMB196.9 million (31 December 2017: RMB223.1 million) were made from banks in Hong Kong.

As at 30 June 2018, the Group had no other loans (2017: no other loans).

Debt-to-Assets Ratio

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total debt	**705,493**	787,113
Total assets	**2,766,553**	2,759,719
Debt-to-assets ratio	**25.5%**	28.5%

Charges on the Group's Assets

As at 30 June 2018, the Group's bank deposits of RMB78.0 million (31 December 2017: RMB65.2 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB76.5 million (31 December 2017: RMB115.9 million). As at 30 June 2018, certain banking facilities of the Group were secured by the Group's fixed assets, which amounted to RMB46.3 million (31 December 2017: RMB84.9 million).

Capital Commitments

The Group is the lessee of a number of properties 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 2018.

Material Acquisition and Disposal

During the Period under review, the Group did not have any material acquisition or disposal.

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 2018.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Apart from a total of 1,680,500 Shares purchased by the trustee of the Share Award Scheme on the Stock Exchange at the price of approximately HK$3,330,000 in aggregate pursuant to the terms of the Share Award Scheme and the relevant trust deed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2018.

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 2018 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 37.5%, or more than one-third of the Board members. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

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 as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding Directors' securities transactions on terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

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. Hong Yan, 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 2018 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.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, there is no significant event after the reporting period that is required to be disclosed by the Group.

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

Hong Kong, 21 August 2018

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. Hong Yan and Mr. Yu Tze Shan Hailson.