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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

The overall revenue from continuing operations of the Group for the year ended 31 December 2018 was approximately RMB571.5 million, as compared with approximately RMB604.8 million for the previous year.

The Group recorded a gross profit of approximately RMB422.0 million (2017: approximately RMB484.2 million), and a gross profit margin of 73.8% (2017: 80.1%) for the year ended 31 December 2018. The loss before interest and tax ("**LBIT**") of underlying operations of the Group was approximately RMB480.9 million (Profit before interest and tax ("**PBIT**") of FY2017: approximately RMB269.6 million).

Exceptional items refer to exceptional gain and expenses arising from non-operational activities of the Group. There was a net exceptional expense of approximately RMB361.9 million for the year ended 31 December 2018, majority of which were non-cash items which were primarily related to non-recurring provisions, impairments ("**Non-recurring Provisions and Impairments**") and one-off expenses.

After including all the exceptional items, adjusted LBIT of the Group was approximately RMB842.8 million for the year ended 31 December 2018, as compared to adjusted PBIT of approximately RMB220.7 million in the same period last year.

Basic loss per share was RMB(61.16) cents for the year ended 31 December 2018, as compared to basic earnings per share of RMB10.72 cents for the year ended 31 December 2017.

ANNUAL 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 audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 *RMB'000*
Continuing operations			
Revenue	*3*	**571,521**	604,846
Cost of sales		**(149,519)**	(120,611)
Gross profit		**422,002**	484,235
Other revenue	*4*	**5,840**	22,269
Other net loss	*5(c)*	**(4,647)**	(2,320)
Gain on disposal of investment property		**–**	7,652
Share of loss of an associate		**(1,974)**	–
Impairment loss of an intangible asset		**(77,682)**	–
Impairment loss of trade receivables		**(164,617)**	(7,050)
Reversal of impairment loss of trade receivables		**1,999**	–
Reversal of impairment loss/(impairment loss) of other receivables		**5,519**	(569)
Fair value change on financial liabilities at fair value through profit or loss		**(304,907)**	9,050
Selling and distribution expenses		**(183,483)**	(91,852)
Administrative expenses		**(178,994)**	(151,837)
Finance costs	*5(a)*	**(81,055)**	(43,150)
(Loss)/profit before taxation	*5*	**(561,999)**	226,428
Income tax expense	*6*	**(39,860)**	(15,883)
(Loss)/profit for the year from continuing operations		**(601,859)**	210,545
Loss for the year from discontinued operation	*7*	**(361,903)**	(48,916)
(Loss)/profit for the year		**(963,762)**	161,629
Attributable to:			
Equity shareholders of the Company		**(957,666)**	165,195
Non-controlling interests		**(6,096)**	(3,566)
(Loss)/profit for the year		**(963,762)**	161,629

	Note	**2018**	2017
		RMB'000	*RMB'000*
(Loss)/profit attributable to equity shareholders of the Company arises from:			
Continuing operations		**(595,763)**	214,111
Discontinued operation		**(361,903)**	(48,916)
		(957,666)	165,195
(Loss)/earnings per share	*8*		
From continuing and discontinued operations			
Basic		**(61.16) cents**	10.72 cents
Diluted		**(61.16) cents**	9.12 cents
From continuing operations			
Basic		**(38.05) cents**	13.89 cents
Diluted		**(38.05) cents**	11.98 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
(Loss)/profit for the year	**(963,762)**	161,629
Item that will not be reclassified to profit or loss:		
Fair value change on financial liabilities through other comprehensive income	**24,821**	–
Item that will be reclassified to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China	**38,397**	(43,808)
Total comprehensive (loss)/income for the year	**(900,544)**	117,821
Attributable to:		
Equity shareholders of the Company	**(894,448)**	121,387
Non-controlling interests	**(6,096)**	(3,566)
	(900,544)	117,821
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company arises from:		
Continuing operations	**(532,545)**	170,303
Discontinued operation	**(361,903)**	(48,916)
	(894,448)	121,387

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**290,240**	250,355
– Interests in leasehold land held for own use under operating leases		**40,994**	41,985
		331,234	292,340
Intangible assets		**1,271,169**	1,301,926
Goodwill		**–**	–
Interest in an associate, net		**16,918**	18,892
Prepayment for acquisition of intangible asset		**17,191**	–
Available-for-sale financial asset		**–**	533
Financial asset at fair value through profit or loss		**559**	–
Deferred tax assets		**–**	56,885
		1,637,071	1,670,576
Current assets			
Inventories		**44,962**	65,313
Trade and other receivables	*10*	**419,336**	811,792
Pledged bank deposits		**38,000**	65,170
Cash and cash equivalents		**87,793**	146,868
		590,091	1,089,143
Current liabilities			
Contract liabilities	*11*	**12,871**	–
Trade and other payables	*11*	**298,533**	509,839
Bank and other borrowings	*12*	**1,007,000**	656,055
Financial liabilities at fair value through profit or loss		**10,024**	7,095
Current taxation		**12,557**	34,014
		1,340,985	1,207,003
Net current liabilities		**(750,894)**	(117,860)
Total assets		**2,227,162**	2,759,719

	Note	2018 RMB'000	2017 RMB'000
Total assets less current liabilities		**886,177**	1,552,716
Non-current liabilities			
Other borrowings	*12*	**3,550**	–
Financial liabilities at fair value through profit or loss		**391,058**	123,963
		394,608	123,963
NET ASSETS		**491,569**	1,428,753
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**489,291**	1,420,379
Total equity attributable to equity shareholders of the Company		**489,292**	1,420,380
Non-controlling interests		**2,277**	8,373
TOTAL EQUITY		**491,569**	1,428,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Company was incorporated in the Cayman Islands on 1 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 23 of 1961, as consolidated and revised) of the Cayman Islands. 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 consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in the PRC where the majority of the entities within the Group operate (i.e. the Group's functional currency).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the following assets and liabilities are stated at their fair value:

– Financial assets at fair value through profit or loss;

– Financial liabilities at fair value through profit or loss; and

– Financial liabilities at fair value through other comprehensive income (non-recycling).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty.

Going concern basis

During the year ended 31 December 2018, the Group incurred a loss attributable to the equity shareholders of RMB957.7 million for the year ended 31 December 2018 and, as at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB750.9 million. The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB77.7 million, (b) new bank borrowings of approximately RMB50.0 million subsequently obtained from banks up to the date of approval for the consolidated financial statements, (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions, and (d) continuing financial support from a substantial shareholder of the Company who has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covered not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast (included the available credit facilities of the Group and the above measures adopted up to date), after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirements, management of the Company is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) – 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9 Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement, it sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The Group has applied HKFRS 9, Financial instruments, to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has concluded that there is no material impact for the initial application of the new impairment requirement, no adjustment is made to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table and the accompanying notes explain the original measurement categories for each class of the Group's financial assets under HKAS 39 and new measurement categories under HKFRS 9. There is no remeasurement for the adoption of HKFRS 9.

	Note	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount at 31 December 2017 under HKAS 39	Carrying amount at 1 January 2018 under HKFRS 9
				RMB'000	*RMB'000*
Financial assets					
Pledged deposits	(i)	Held-to-maturity investments	Amortised cost	65,170	65,170
Cash at bank and in hand	(ii)	Loans and receivables	Amortised cost	146,868	146,868
Trade and other receivables	(ii)	Loan and receivables	Amortised cost	811,792	811,792
Available-for-sale financial assets	(iii)	Available-for-sale financial assets	FVTPL	533	533
Total financial assets				**1,024,363**	**1,024,363**

Notes:

(i) Pledged deposits that were previously classified as held-to-maturity investments are now classified as financial assets measured at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.

(ii) Cash at bank and in hand, trade and other receivables that were previously classified as loans and receivables are now classified as financial assets measured at amortised cost. The Group intends to hold the financial assets to maturity to collect contractual cash flows.

(iii) Club debenture that was previously classified as available-for-sale financial asset is now classified as financial assets measured at FVTPL. The Group intends to hold the investment for long term strategic purposes. At 1 January 2018, the Group designated the investment as measured at FVTPL.

The measurement categories and carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 January 2018.

a. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables).

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

b. Transition

Change in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessments have been made on the basis of the fact and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point of time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. This may be at a single point of time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or services is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create as asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when the contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on what the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

c. Presentation of contract liabilities

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of RMB12,573,000, which was previously included in trade and other payables are now included under contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

3. REVENUE

The principal activities of the Group are research and development, manufacturing, sales and distribution of pharmaceutical products.

The amount of each significant category of revenue is as follows:

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of proprietary pharmaceutical products	**307,666**	372,455
Miacalcic		
– Sales of injectable and nasal products	**218,773**	97,220
– Sub-licensing fee income	**45,082**	135,171
	571,521	604,846

The timing of revenue recognition of all revenue from contracts with customers is at a point in time when a customer obtains control of goods. All of the Group's remaining performance obligations for contracts with customers are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER REVENUE

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
Bank interest income	**2,102**	94
Government grants and subsidies *(note below)*	**992**	14,438
Sundry income	**2,746**	7,737
	5,840	22,269

Note:

Government grants and subsidies represented unconditional cash awards granted by government authorities.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

		Continuing operations	
		2018	2017
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank and other borrowings	**70,331**	42,720
	Imputed interest payable to non-controlling shareholders of a subsidiary	**10,024**	–
	Bank charges	**700**	430
		81,055	43,150

		Continuing operations	
		2018	2017
		RMB'000	*RMB'000*
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**26,270**	14,115
	Salaries, wages and other benefits	**136,828**	84,743
	Equity-settled share-based payment expenses	**8,260**	7,638
		171,358	106,496

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 15% to 20% (2017: 15% to 20%) of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2017: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000). Contributions to the MPF scheme vest immediately.

The Group has no other material obligation for payment of pension benefits beyond the annual contributions described above.

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
(c) Other net loss		
Net loss on disposal of property, plant and equipment	**299**	388
Net exchange loss	**4,348**	1,932
	4,647	2,320

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
(d) Other items		
Cost of inventories	**149,519**	120,611
Depreciation of property, plant and equipment	**23,028**	19,842
Amortisation of lease prepayments	**991**	990
Amortisation of intangible assets	**11,628**	11,404
Impairment loss of an intangible asset	**77,682**	–
Impairment loss of trade receivables	**164,617**	7,050
Reversal of impairment loss of trade receivables	**(1,999)**	–
(Reversal of impairment loss)/impairment loss of other receivables	**(5,519)**	569
Net loss on disposal of property, plant and equipment	**299**	388
Auditors' remuneration:		
– audit services	**1,658**	1,627
– under provision in prior year	**16**	23
– non-audit services	**18**	17
Operating lease charges in respect of properties	**15,399**	13,508
Research and development costs	**34,188**	8,415

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
Current tax – PRC Corporate Income Tax		
Provision for the year	**1,540**	21,270
Over provision in respect of prior years	**(18,565)**	(6,247)
	(17,025)	15,023
Deferred tax		
Origination and reversal of temporary differences	**56,885**	860
Income tax expense	**39,860**	15,883

7. DISCONTINUED OPERATION

On 15 December 2017, the Company and a supplier entered into an agreement for the termination of sales and promotion agreement. With effect from December 2017, the Group ceased this third party pharmaceutical promotion and sales in the PRC, which was classified as discontinued operation.

	2018	2017
	RMB'000	*RMB'000*
Loss for the year from discontinued operation:		
Revenue	–	277,062
Cost of sales	–	(126,028)
Gross profit	–	151,034
Other revenue	–	1,865
Penalty	–	(11,607)
Provision for a legal claim	–	(20,000)
Net gain on disposal of property, plant and equipment	–	136
Share of loss of an associate	–	(1,077)
(Impairment loss)/reversal of impairment loss of other receivables	**(90,640)**	970
(Impairment loss)/reversal of impairment loss of trade receivables	**(271,263)**	1,550
Selling and distribution expenses	–	(102,198)
Administrative expenses	–	(69,589)
Loss before taxation	**(361,903)**	(48,916)
Income tax expense	–	–
Loss for the year from discontinued operation	**(361,903)**	(48,916)
Loss for the year from discontinued operation include the following:		
Contributions to defined contribution retirement plans	–	1,284
Salaries, wages and other benefits	–	5,092
Total staff costs	–	6,376
Depreciation and amortisation	–	2,185
Impairment loss of other receivables *(note (a))*	**90,640**	–
Impairment loss of trade receivables *(note (b))*	**271,263**	–
Reversal of impairment of trade and other receivables	–	(2,520)
Loss per share		
Basic, from discontinued operation	**(23.11) cents**	(3.17) cents
Diluted, from discontinued operation	**(23.11) cents**	(3.17) cents

Notes:

(a) In November 2018, a supplier of the Group, from which a balance of RMB90,640,000 was receivable and brought forward from 31 December 2017, entered into an exclusive market promotion service agreement with an independent third party for marketing its key product for a period of ten years. In view of the Group's discontinued business relationship with this supplier and no settlement was received from it during the year up to the date of approval of these financial statements, full impairment loss of RMB90,640,000 (2017: Nil) has been recognised in profit or loss for the year ended 31 December 2018.

(b) As the supplier entered into an exclusive market promotion service agreement with an independent third party to market its products as referred to note (a) above, other distributors (including those with outstanding balances with the Group) have no longer the right to sell the products. They experienced default in payment by their customers, which in turn affected their ability to settle the debts due to the Group. Based on the assessment of the expected credit losses, the Group has recognised a provision for impairment for trade receivables of RMB271,263,000 (2017: Nil) for the year ended 31 December 2018.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB957,666,000 (2017: profit of RMB165,195,000) and the weighted average number of 1,565,810,000 ordinary shares (2017:1,541,544,000) in issue during the year.

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity shareholders of the Company	**(595,763)**	214,111
Loss from discontinued operation attributable to equity shareholders of the Company	**(361,903)**	(48,916)
	(957,666)	165,195

Weighted average number of ordinary shares (basic)

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**1,558,577**	1,558,248
Effect of shares repurchased, awarded and held under Share Award Scheme	**(24,037)**	(16,943)
Effect of conversion of convertible preference shares	**31,270**	–
Effect of share options exercised	**–**	239
At 31 December	**1,565,810**	1,541,544

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2018, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding redeemable convertible preference shares of the Company which had an anti-dilutive effect and would result in reduction in loss per share for the year ended 31 December 2018.

For the year ended 31 December 2017, the calculation of diluted earnings per share was based on the profit attributable to equity shareholders of the Company and adjusted for the fair value gain recognised on the financial liabilities at fair value through profit or loss. The weighted average number of ordinary shares as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all diluted potential ordinary shares into ordinary shares.

	2018	2017
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company	**(595,763)**	214,111
Fair value change on financial liabilities at fair value through profit or loss	**–**	(9,050)
(Loss)/profit from continuing operations used to determine diluted (loss)/earnings per share	**(595,763)**	205,061
Loss from discontinued operation attributable to equity shareholders of the Company	**(361,903)**	(48,916)
	(957,666)	156,145

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares (basic)	**1,565,810**	1,541,544
Effect of deemed issue of ordinary shares under the Company's share option schemes	**–**	7,040
Effect of conversion of convertible preference shares	**–**	163,072
Weighted average number of ordinary shares (diluted)	**1,565,810**	1,711,656

9. 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 branded products and generic drugs through the Company's subsidiary, Suzhou First Pharmaceutical Co., Ltd ("**Suzhou First Pharma**"), Jiangsu NT Biopharma Co., Ltd ("**Jiangsu Biopharma**") and NT Pharma (Changsha) Co., Ltd ("**Changsha Pharmaceutical**").

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocation resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment assets include all tangible and intangible assets and other current and non-current assets with the exception of unallocated corporate assets. Segment liabilities include trade and other payables and bank and other borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment results represent profit or loss attributable to the segment without allocation of finance costs, certain administrative costs and directors' remuneration. Taxation is not allocated to reportable segments. This is measure reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment.

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 years ended 31 December 2018 and 2017 is set out below.

Continuing operations

	Proprietary products production and sales		Miacalcic		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**307,666**	372,455	**263,855**	232,391	**571,521**	604,846
Reportable segment gross profit	**198,847**	279,716	**223,155**	204,519	**422,002**	484,235
Reportable segment results	**(238,295)**	134,615	**(199,329)**	166,084	**(437,624)**	300,699
Adjusted EBITDA *(note (i))*	**27,118**	171,069	**105,578**	157,034	**132,696**	328,103
Other Revenue:						
– Government grants and subsidies	**992**	14,438	**–**	–	**992**	14,438
– Sundry income	**2,746**	7,737	**–**	–	**2,746**	7,737
Other net loss:						
– Net loss on disposal of property, plant and equipment	**(287)**	(388)	**–**	–	**(287)**	(388)
Fair value change on financial liabilities at fair value through profit or loss	**–**	–	**(304,907)**	9,050	**(304,907)**	9,050
Share of loss of an associate	**(1,974)**	–	**–**	–	**(1,974)**	–
Depreciation and amortisation	**(32,606)**	(28,835)	**–**	–	**(32,606)**	(28,835)
Impairment loss of an intangible asset	**(77,682)**	–	**–**	–	**(77,682)**	–
Impairment loss of trade receivables	**(164,617)**	(7,050)	**–**	–	**(164,617)**	(7,050)
Reversal of impairment loss of trade receivables	**1,999**	–	**–**	–	**1,999**	–
Reversal of impairment loss/ (impairment loss) of other receivables	**5,519**	(569)	**–**	–	**5,519**	(569)
Reportable segment assets	**907,125**	1,041,810	**1,272,116**	1,204,917	**2,179,241**	2,246,727
Additions to non-current segment assets during the year	**63,519**	4,426	**841**	226,873	**64,360**	231,299
Reportable segment liabilities	**1,062,805**	687,227	**668,010**	573,317	**1,730,815**	1,260,544
Reportable segment capital commitments	**51,795**	484	**–**	–	**51,795**	484

Note:

(i) EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial liabilities at fair value through profit or loss, impairment loss on trade receivables, reversal of impairment loss of trade and other receivables, and impairment loss of an intangible asset.

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Continuing operations	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**571,521**	604,846
(Loss)/profit		
Reportable segment operating (loss)/profit	**(437,624)**	300,699
Unallocated head office and corporate expenses	**(39,088)**	(36,935)
Other revenue – unallocated	**2,102**	94
Other net loss – unallocated	**(4,360)**	(1,932)
Share of loss of an associate	**(1,974)**	–
Gain on disposal of investment property	**–**	7,652
Finance costs	**(81,055)**	(43,150)
Consolidated (loss)/profit before taxation (continuing operations)	**(561,999)**	226,428
Assets		
Reportable segment assets	**2,179,241**	2,246,727
Assets relating to discontinued operation	**–**	446,333
Unallocated head office and corporate assets	**47,921**	66,659
Consolidated total assets	**2,227,162**	2,759,719
Liabilities		
Reportable segment liabilities	**1,730,815**	1,260,544
Liabilities relating to discontinued operation	**–**	65,277
Unallocated head office and corporate liabilities	**4,778**	5,145
Consolidated total liabilities	**1,735,593**	1,330,966

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of the Group's non-current assets is based on the physical location of the non-current assets and in the case of intangible assets, the location of the use of relevant intellectual property rights and distribution rights to which they are allocated.

	Revenue from external customers				**Non-current assets***			
	2018		2017		**2018**		2017	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation	**Continuing operations**	**Discontinued operation**	Continuing operations	Discontinued operation
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
PRC	**539,610**	**–**	571,024	277,062	**1,617,119**	**–**	1,590,548	–
Hong Kong	**4,846**	**–**	–	–	**2,202**	**–**	2,152	–
Other countries	**27,065**	**–**	33,822	–	**–**	**–**	–	–
	571,521	**–**	604,846	277,062	**1,619,321**	**–**	1,592,700	–

* Excluding deferred tax assets, FVTPL and prepayment for acquisition of intangible asset of RMB Nil (2017: RMB56,885,000), RMB559,000 (2017: RMB533,000) and RMB17,191,000 (2017: RMB Nil) which were related to operation in the PRC and Hong Kong, respectively.

(d) Information from major customers

Revenue from major customers, which individually amounted to 10% or more of the total revenue of the Group, is set out below:

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Customer A	**294,452**	184,292
Customer B	**77,314**	N/A
Customer C	**N/A**	135,171
Discontinued operation		
Customer D	**–**	112,800
Customer E	**–**	93,412

N/A – not applicable

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**728,400**	1,270,563
Less: loss allowance *(note (b))*	**(486,016)**	(618,457)
	242,384	652,106
Deposits, prepayments and other receivables *(note (c))*	**176,952**	159,686
	419,336	811,792

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

Ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts), based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**94,543**	221,542
More than 3 months but within 6 months	**69,011**	19,098
More than 6 months but within 1 year	**30,734**	263,294
More than 1 year but within 2 years	**48,096**	148,172
	242,384	652,106

Trade debtors are normally due within 60 to 180 days from the date of billing. All these trade debtors are related to non-vaccine business.

(b) Impairment of trade debtors

The movement in the loss allowance account during the year, including both specific and collective loss components, is as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**618,457**	612,957
Impairment loss recognised during the year	**435,880**	7,050
Write-off for the year*	**(566,322)**	–
Reversal of impairment	**(1,999)**	(1,550)
At 31 December	**486,016**	618,457
Analysis of allowance for impairment of trade debtors at 31 December:		
Non-vaccine	**486,016**	52,125
Vaccine*	**–**	566,332
	486,016	618,457

* The business of third-party vaccine and pharmaceuticals had been discontinued in 2015 and all the related trade receivables had been fully impaired in the previous reporting period ends and during the year, they were fully written off.

Impairment losses in respect of trade debtors and bills receivable were recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

Due to the slow down of the economy, deleveraging and the government regulations on the medicine industry in the PRC, the Group experienced defaults in payments by its customers. Based on the assessment of the expected credit losses, the Group has recognised a provision for impairment of trade receivables of RMB435,880,000 (2017: RMB7,050,000) during the year ended 31 December 2018.

(c) Deposits, prepayments and other receivables

	2018	2017
	RMB'000	*RMB'000*
VAT recoverable	**32,097**	35,360
Other receivables, net of allowance for impairment loss *(note (a))*	**16,540**	10,843
Prepayments	**21,280**	12,310
Prepayments for research and development *(note (b))*	**97,138**	–
Prepayments for purchase of goods *(note (7)(a))*	**–**	90,640
Advances paid to suppliers	**86**	3,419
Rental and other deposits	**9,811**	7,114
	176,952	159,686

Notes:

(a) At the end of the reporting period, reversal of impairment loss on other receivables amounted to RMB5,519,000 (2017: impairment loss of RMB569,000).

(b) It represented prepayments made to an independent clinical research company to perform the phase II clinical research regarding using Xi Di Ke for the treatment of low-to-medium risk Myelodysplastic Syndrome.

11. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade creditors	**17,829**	15,875
Bills payable *(note (b))*	**10**	115,895
Total trade creditors and bills payable *(note (d))*	**17,839**	131,770
Receipts in advance from customers *(note (a))*	**–**	12,573
Accrued promotional expenses	**–**	17,563
Accrued staff costs	**4,870**	3,109
Construction cost payable	**51,605**	–
Investment deposit received *(note (c))*	**70,000**	–
Considerations payable	**10,772**	223,712
Other payables and accruals	**143,447**	121,112
	298,533	509,839

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

Notes:

(a) As a result of the adoption of HKFRS 15, receipts in advance from customers of RMB12,871,000 as at 31 December 2018 are classified as contract liabilities. These will be recognised as revenue within 12 months after the end of the reporting period. Contract liabilities of RMB12,573,000 at 1 January 2018 was recognised as revenue during the year ended 31 December 2018.

(b) As at 31 December 2018, no bills payable was secured by the bank deposits. At 31 December 2017, bills payable of RMB115,895,000 were secured by the bank deposits of RMB65,000,000.

(c) On 29 December 2018, the Company entered into a letter of intent with an independent third party, to dispose of its 89% equity interest in NT Biopharmaceuticals Jiangsu Co., Ltd. The Company had received a deposit of RMB70 million from the potential investor. The transaction was subsequently cancelled by both parties and the deposit received of RMB70 million was refunded to the potential investor on 7 January 2019.

(d) Ageing analysis of trade creditors and bills payable based on the invoice date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**10,971**	124,136
More than 3 months but within 6 months	**1,816**	4,989
More than 6 months but within 1 year	**3,385**	246
More than 1 year	**1,667**	2,399
	17,839	131,770

12. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	2018	2017
	RMB'000	*RMB'000*
Non-current		
Secured other borrowings	**3,550**	–
Current		
Secured bank borrowings	**749,282**	656,055
Unsecured bank borrowings	**110,000**	–
Secured other borrowings	**81,301**	–
Unsecured other borrowings	**66,417**	–
	1,007,000	656,055
Carrying amount payable:		
– Within one year	**775,786**	437,764
– After one but within two years	**95,070**	65,764
– After two but within five years	**139,694**	152,527
Total borrowings	**1,010,550**	656,055
Less: Current portion of borrowings due for repayment within one year	**(775,786)**	(437,764)
Non-current portion of borrowings subject to immediate demand repayment clause	**(231,214)**	(218,291)
Non-current borrowings	**3,550**	–

Notes

(i) Secured bank borrowings carry interest rates ranged from 4.30% to 6.19% (2017: 2.16% to 5.22%) per annum. Unsecured bank borrowings carry interest rates ranged from 5.43% to 5.80% per annum (2017: Nil). The unsecured bank borrowings were guaranteed by certain subsidiaries of the Company.

(ii) Secured other borrowings carry interest rates ranged from 5.40% to 14.04% (2017: Nil). Unsecured other borrowings carry interest rates ranged from 6.00% to 9.00% (2017: Nil) per annum and were guaranteed by certain subsidiaries of the Company.

(iii) As at 31 December 2018, secured bank and other borrowings were secured by the following assets of the Group:

	2018	2017
	RMB'000	*RMB'000*
Fixed assets	**201,798**	84,693
Trade receivables	**75,547**	–
Pledged bank deposits	**38,000**	170
	315,345	84,863

(iv) As at 31 December 2018, the Group had banking facilities of RMB1,180,478,000 (2017: RMB839,000,000), which were utilised to the extent of RMB1,102,734,000 (2017: RMB697,000,000).

13. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2017: HK0.35 cents per ordinary share) to the shareholders.

14. COMPARATIVE FIGURES

The Group has initially adopted HKFRS 9 and HKFRS 15 on 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting polices are disclosed in note 2(c).

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to the end of the reporting period.

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**"), orthopedics, oncology and hematology. NT Pharma owns two new National Class 1 new 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 300 sales professionals and R&D specialists. It also has an extensive sales network in China, covering nearly 10,000 hospitals.

The overall revenue of the Group from continuing operations for the year ended 31 December 2018 (the "**Year under Review**") decreased by RMB33.3 million to RMB571.5 million, as compared with RMB604.8 million for the corresponding period in 2017. Operating loss from continuing operations for the Year under Review increased by RMB750.5 million to RMB480.9 million, as compared with an operating profit of RMB269.6 million for the corresponding period in 2017. The Group recorded a net loss of RMB963.8 million for the Year under Review, as compared with a net profit of RMB161.6 million for the corresponding period in 2017, representing a decrease of 696.4% year on year.

BUSINESS REVIEW

2018 was an important year for the reform of pharmaceutical policy in China, during which the pharmaceutical industry and the business environment as a whole were going through adjustments in every aspect. Manufacturing enterprises, at the upstream end of the pharmaceutical industry, have been successively harvesting from key reform results in terms of consistency evaluation and the expedited evaluation and approval of innovative drugs. With the Chinese government's encouragement in research and development innovation and quality improvement, pharmaceutical companies had to upgrade their existing products, and at the same time intensify the development of new drugs to increase their competitiveness. Marketing companies, located at the midstream of the pharmaceutical industry, experienced lower sales profits under a restructured sales model as a result of the implementation of the "Two-Invoice System". For the patients and national medical insurance at the downstream of the pharmaceutical industry, the budget management of the medical insurance fund has been further strengthened with the release of the new version of Medical Insurance Drugs Catalogs and the negotiated results of drugs covered by medical insurance. In response to excessive medical treatments and unreasonable growth of medical expenses, the Medical Insurance Bureau of the PRC has successively put forward various policies including "bulk procurement" and bargaining negotiations on anti-cancer drugs.

With further in-depth development in the reform of the national medical system, the pharmaceutical market in China has remained tough and difficult.

During the Year under Review, the Group has steadily promoted and implemented different business strategies, and continued to implement and stabilize its development in the orthopedic business. On 18 April 2018, the Group entered into a cooperation agreement with Pfenex Inc. ("**Pfenex**"), a United States ("**U.S.**") biotechnology company, to develop new products, which will not only contribute to the Group's revenue, but also enhance the competitiveness of the Group's orthopedic pharmaceutical segment, generating new momentum for the long-term sustainable development of the Group.

For the Year under Review, the Group recorded a revenue of RMB571.5 million, representing a decrease of 5.5% as compared to the same period in 2017, representing a net loss of RMB963.8 million (loss attributable to equity shareholders: RMB957.7 million).

OPERATING RESULTS

Sales

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

The Group's proprietary products include Shusi, Xi Di Ke, Zhuo'ao, Songzhi Wan and other drugs. For the Year under Review, the total revenue from manufacturing and sales of proprietary products decreased by RMB64.8 million or 17.4% to RMB307.7 million, as compared with RMB372.5 million for the corresponding period in 2017. Revenue of Shusi decreased by RMB54.8 million or 25.3% to RMB161.9 million for the Year under Review, as compared with RMB216.7 million for the corresponding period in 2017. The decreased sales amount of Shusi was due to the negative impact brought by the shift of sales model from distributors to proprietary sales during the Year under Review. For the Year under Review, revenue from Xi Di Ke amounted to RMB75.7 million, as compared with RMB81.8 million for the corresponding period in 2017. Revenue of Zhuo'ao increased by RMB3.9 million or 12.0% to RMB36.5 million during the Year of Review, as compared with RMB32.6 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 as a result of the implementation of the two-invoice system during the Year under Review.

For the Year under Review, revenue from the Miacalcic segment amounted to RMB263.9 million, as compared with RMB232.4 million for the corresponding period in 2017. Revenue from Miacalcic Injection increased by RMB118.2 million or 121.6% to RMB215.4 million for the Year under Review, as compared with RMB97.2 million for the corresponding period in 2017. Brand licensing fee income of Miacalcic Injection decreased by RMB122.0 million or 95.5% to RMB5.7 million for the Year under Review from RMB127.7 million for the corresponding period in 2017. Revenue from Miacalcic

Nasal Spray amounted to RMB3.7 million for the Year under Review, whereas no revenue in relation to Miacalcic Nasal Spray has been recorded for the corresponding period in 2017. Brand licensing fee income of Miacalcic Nasal Spray amounted to RMB39.1 million, as compared with RMB7.5 million for the corresponding period in 2017.

R&D

The Group has established a R&D and clinical medical center in Beijing, which maintains long-term strategic cooperation with domestic and foreign research institutions and companies. The Group conducts R&D of new products in many areas, such as cancer and blood diseases, central nervous system diseases, liver diseases and infectious diseases, while expanding the scope of indications of the existing drugs, with an aim to offer more new products to the patients in the future.

PROSPECTS AND OUTLOOK OF THE GROUP

OUTLOOK:

In recent years, driven by the reform of pharmaceutical policies, the pharmaceutical industry in China has been undergoing significant changes. The Group believes that market volatility and uncertainties will continue in the short term, therefore it will face the challenges arising from various new policies on the control of expenditure out of the national medical insurance fund, including collective tender with "4+7 bulk procurement", the two-invoice system, the lowest prices linkage and lowering drug prices. Nevertheless, as a series of important pharmaceutical policies documents have been issued and relevant rules have been released in recent years, such as the new version of Medical Insurance Drugs Catalogs, consistency evaluation, priority evaluation and innovative drugs, the results of industry reform will gradually emerge, and the Group believes that all these will bring structural opportunities for the pharmaceutical industry. In the context of steady progress in the industry and policy pressures, the layout and business environment of the pharmaceutical industry and enterprises in China are undergoing changes, which will create new opportunities and challenges for the subsequent development of the pharmaceutical industry.

In response to such opportunities and challenges, the Group will implement the following strategies in a prudent and careful manner:

1. **Focus on core businesses and enhance brand advantages**

   The Group will prudently deploy and accurately position its CNS and orthopedics business in the market. By leveraging on the brand superiority and marketing resources of its existing drug – Miacalcic and Shusi, and through strategies such as external acquisitions and brand extension, the Group will develop key products with excellent clinical efficacy and market value and to optimize its product mix for orthopedic treatments. While paying constant attention to both domestic and international market dynamics, the Group will make elaborate planning for the acquisitions of products and develop a thorough plan to upgrade its business in existing fields for better competitiveness of the NT Pharma products in the market as well as sustainable development for its segment.

2. **Optimize distribution network and consolidate regional competitiveness**

   By optimizing its sales team and combining its own channels with external distribution model, the Group will accelerate the deployment of its comprehensive distribution network and quickly penetrate gaps in the market to strengthen the coverage of the distribution ends of the pharmaceutical market and consolidate its competitive advantages in well-established regions. The Group will also accelerate the development of distribution business for existing products as well as new orthopedic products in future by improving operational efficiency and quality, thus consolidating its leading position as a bone health provider in the market.

3. **Focus on the construction of a marketing system and a professional sales team**

   The Group attaches great importance to the construction of a marketing system and has established a professional and high-quality sales team which is academic marketing-oriented with refined channels of network marketing. In the future, the Group will continue to strengthen its effort in the construction of the sales team and ensure the professional competence of the team through internal trainings.

4. **Enhance overall competitiveness through expanded international cooperation for access to quality resources and advanced technologies**

   The Group will further explore cooperation plans with strategic partners overseas by introducing premium products and advanced technologies from outside to accomplish a mutually beneficial cooperation model for the expansion in the pharmaceutical market in the PRC and further support towards the optimization and upgrades of its product mix and business model. Meanwhile, the Group will proactively select bio-tech partners with products pipelines and achievements, and consider various cooperation schemes to enhance its level of scientific research.

5. The Group will actively improve financial structure, and continue to adopt prudent financial management and cost control policies, strengthen the internal control, and optimise management in every aspect to ensure more effective allocation of resources and improvement of operational efficiencies.

HUMAN RESOURCES

As at 31 December 2018, the Group had 665 full time employees (2017: 803 employees). For the year ended 31 December 2018, the Group's total cost on remuneration, welfare and social security amounted to RMB171.4 million (2017: RMB112.9 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.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December							
	2018 Sales volume	**2018 Unit price**	**2018 Sales amount**	**2018 Proportion**	2017 Sales volume	2017 Unit price	2017 Sales amount	2017 Proportion
	'000	***RMB***	***RMB'000***	***(%)***	*'000*	*RMB*	*RMB'000*	*(%)*
Proprietary products production and sales								
Shusi	**5,314**	**30.5**	**161,921**	**28.3%**	7,215	30.0	216,689	35.8%
Xi Di Ke	**165**	**457.6**	**75,710**	**13.2%**	169	485.3	81,824	13.5%
Zhuo'ao	**16,828**	**2.2**	**36,502**	**6.4%**	20,621	1.6	32,603	5.4%
Songzhi Wan	**73**	**136.4**	**9,957**	**1.7%**	98	126.5	12,335	2.0%
Others	**15,625**	**1.5**	**23,576**	**4.2%**	19,975	1.5	29,004	4.8%
Subtotal			**307,666**	**53.8%**			372,455	61.5%
Miacalcic								
Miacalcic Injection	**1,288**	**167.1**	**215,270**	**37.7%**	546	178.1	97,220	16.1%
Brand licensing fee income of Miacalcic Injection	**156**	**36.6**	**5,705**	**1.0%**	1,193	107.0	127,709	21.2%
Miacalcic Nasal Spray	**16**	**218.9**	**3,503**	**0.6%**	–	–	–	–
Brand licensing fee income of Miacalcic Nasal Spray	**233**	**169.0**	**39,377**	**6.9%**	44	169.6	7,462	1.2%
Subtotal			**263,855**	**46.2%**			232,391	38.5%
Total			**571,521**	**100.0%**			604,846	100.0%

Revenue from manufacturing and sales of proprietary products decreased by RMB64.8 million to RMB307.7 million, accounting for 53.8% of the total revenue in the Year under Review, as compared with RMB372.5 million or 61.5% of the Group's revenue in the corresponding period in 2017. The decrease in revenue from manufacturing and sales of proprietary products was due to the negative impact brought by the shift of sales model from distributor to proprietary sales during the Year under Review.

Revenue from sales and brand licensing fee income of Miacalcic increased by RMB31.5 million to RMB263.9 million, accounting for 46.2% of total revenue in the Year under Review as compared with RMB232.4 million or 38.5% of the Group's revenue in the corresponding period in 2017. The increase in revenue of Miacalcic was due to the increase of brand licensing fee income and sales of Miacalcic Nasal Spray.

Cost of Sales

For the year ended 31 December 2018, cost of sales increased by RMB28.9 million to RMB149.5 million, as compared with RMB120.6 million for the year ended 31 December 2017. The increase in cost of sales was mainly due to the increase in cost of Shusi and, meanwhile, the increased cost of sales of Miacalcic Injection resulted from its increased sales upon the completion of license transfer in respect of the Miacalcic products.

Gross Profit

	For the year ended 31 December			
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	**110,947**	**68.5%**	183,863	84.9%
Xi Di Ke	**63,484**	**83.9%**	70,029	85.6%
Zhuo'ao	**23,751**	**65.1%**	20,785	63.8%
Songzhi Wan	**5,084**	**51.1%**	8,915	72.3%
Others	**(4,419)**	**(18.8)%**	(3,876)	(13.4%)
Subtotal	**198,847**	**64.6%**	279,716	75.1%
Miacalcic				
Miacalcic Injection	**175,247**	**81.4%**	69,348	71.3%
Brand licensing fee income of Miacalcic Injection	**5,705**	**100.0%**	127,709	100.0%
Miacalcic Nasal Spray	**2,826**	**80.7%**	–	–
Brand licensing fee income of Miacalcic Nasal Spray	**39,377**	**100.0%**	7,462	100.0%
Subtotal	**223,155**	**84.6%**	204,519	88.0%
Total	**422,002**	**73.8%**	484,235	80.1%

Gross profit decreased by RMB62.2 million to RMB422.0 million in 2018, as compared with RMB484.2 million in 2017. Gross profit margin decreased by 6.3 percentage points to 73.8% for the year ended 31 December 2018, as compared with 80.1% for the corresponding period in 2017. The decrease in gross profit margin was mainly due to the increased cost of sales of Shusi, the decreased average selling price of Xi Di Ke and the increased cost of sales of Miacalcic Injection.

Reportable Segment Results

The operating expenses of the Group increased by RMB676.1 million or 368.4% to RMB859.6 million for the year ended 31 December 2018, as compared with RMB183.5 million in 2017. The Group reported an operating loss of RMB437.6 million for the year ended 31 December 2018, as compared with an operating profit of RMB300.7 million for the corresponding period in 2017. The following table sets forth a breakdown of the Group's adjusted EBITDA by reportable segment for the year ended 31 December 2018:

	For the year ended 31 December			
	2018	**2018**	2017	2017
	RMB'000	*(%)*	*RMB'000*	*(%)*
Proprietary products production and sales	**27,118**	**8.81%**	171,069	45.93%
Miacalcic	**105,578**	**40.01%**	157,034	67.57%
Total	**132,696**	**23.22%**	328,103	54.25%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB37.9 million or 87.8% to RMB81.1 million for the Year under Review, as compared to RMB43.2 million in 2017. The increase in finance costs was mainly due to an increase in bank borrowings as compared in 2017.

Taxation

Income tax expense was RMB39.9 million for the year ended 31 December 2018 as compared to an income tax expense of RMB15.9 million for the year ended 31 December 2017. The increase in income tax expense was mainly due to reversal of deferred tax assets.

Profit/Core Profit Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the year ended 31 December 2018 was RMB957.7 million as compared to a net profit of RMB165.2 million for the year ended 31 December 2017. Core loss attributable to equity holders of the Company for the year ended 31 December 2018 was RMB637.9 million as compared to a core profit of RMB166.8 million for the year ended 31 December 2017, which was mainly due to non-recurring provisions, impairments and one-off expense.

Earnings per Share

The calculation of basic earnings and basic core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2018.

The calculation of diluted loss and diluted core loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding reclaimable convertible preference shares of the Company which had an anti-dilutive effect and would result in reduction in loss per share for the year ended 31 December 2018.

	As at 31 December	
	2018	2017
(Loss)/profit attributable to equity shareholders of the Company *(RMB'000)*	**(957,666)**	165,195
Plus: equity-settled share awarded and share option expenses *(RMB'000)*	**8,260**	7,638
Plus: share of loss of an associate *(RMB'000)*	**1,974**	1,077
Plus: net exchange loss *(RMB'000)*	**4,348**	1,932
Plus: net loss on disposal of property, plant and equipment, intangible assets and interests in subsidiaries *(RMB'000)*	**299**	(33)
Core (loss)/profit attributable to equity shareholders of the Company *(RMB'000)*	**(942,785)**	175,809
Less: Fair value change on financial liabilities of convertible preference shares *(RMB'000)*	**304,907**	(9,050)
Diluted core profit attributable to equity shareholders of the Company *(RMB'000)*	**(637,878)**	166,759
Weighted average number of ordinary shares in issue *('000)*	**1,565,810**	1,541,544
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options *('000)*	**1,565,810**	1,711,656
Basic (loss)/earnings per share *(RMB cent per share)*	**(61.16)**	10.72
Diluted (loss)/earnings per share *(RMB cent per share)*	**(61.16)**	9.12
Basic core (loss)/earnings per share *(RMB cent per share)*	**(60.21)**	11.40
Diluted core (loss)/earnings per share *(RMB cent per share)*	**(60.21)**	9.74

The core (loss)/profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company plus 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 RMB13.6 million or 5.7% to RMB250.2 million for the year ended 31 December 2018, as compared to RMB236.6 million for the year ended 31 December 2017. The capital expenditure was mainly used for settlement of the consideration payable of exclusive intellectual property rights and distribution rights relating to Miacalcic products.

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. The Group recorded a net exchange loss of RMB4.3 million for the year ended 31 December 2018, while the net exchange loss of the Group for the year ended 31 December 2017 was RMB1.9 million. 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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total debt	**(1,411,632)**	(787,113)
Pledged bank deposits, cash and cash equivalents	**125,793**	212,038
Net debt	**(1,285,839)**	(575,075)

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Repayable:		
– Within one year	**775,786**	437,764
– After one but within two year	**95,070**	65,764
– After two but within five years	**139,694**	152,527
	1,010,550	656,055

The Group's bank borrowings of approximately RMB859.3 million as at 31 December 2018 (2017: RMB656.1 million) were bank borrowings of RMB587.6 million (2017: RMB433.0 million) made from banks in the PRC at fixed interest rates ranging from 4.30% to 6.19% per annum. As at 31 December 2018, the Group's bank borrowings of approximately RMB271.7 million (2017: RMB223.1 million) made from banks in Hong Kong.

In addition, as at 31 December 2018, the Group's other borrowings amounted to RMB151.3 million in aggregate (2017: Nil) with fixed interest rate ranging from 5.40% to 14.04% per annum.

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.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total debt	**1,411,632**	787,113
Total assets	**2,227,162**	2,759,719
Debt-to-assets ratio	**63.4%**	28.5%

Charges on the Group's Assets

As at 31 December 2018, bank deposits of the Group of RMB38.0 million (31 December 2017: RMB65.2 million) were pledged to the banks to secure certain bank borrowings and bills payable (31 December 2017: RMB115.9 million). As at 31 December 2018, certain bank and other borrowings facilities of the Group were also secured by the Group's fixed assets and trade receivables which amounted to RMB277.3 million (31 December 2017: RMB84.9 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 31 December 2018:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contracted but not provided for		
– property, plant and equipment	**190**	484
– investment in an associate	**20,000**	20,000
– intangible assets: Teriparatide	**154,422**	–
– intangible assets: computer software	**1,375**	1,325
– intangible assets: Miacalcic Spray	**–**	–
	175,987	21,809

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within one year	**11,917**	14,349
After one year but within five years	**5,281**	16,852
Over five years	**–**	–
	17,198	31,021

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 year ended 31 December 2018.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2018.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed 31 December 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 year ended 31 December 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 are 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 strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, with the independent non-executive Directors representing 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.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. On specific enquiries made, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2018.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: HK3.5 cents) to the Shareholders.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance

In the auditor's report, attention was drawn the following basis of preparation of the consolidated financial statements.

Material uncertainty related to going concern basis

During the year ended 31 December 2018, the Group incurred a loss attributable to the equity shareholders of RMB957,666,000 for the year ended 31 December 2018 and, as 31 December 2018, the Group's current liabilities exceeded its current assets by RMB750,894,000. The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB208 million, (b) new bank loans of approximately RMB50 million subsequently obtained from banks up to the date of approval for the consolidated financial statements, (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions, and (d) continuing financial support from a substantial shareholder of the Company who has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covered not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast, after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirement, management of the Company is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Monday, 27 May 2019, the register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2019.

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

There are no significant events occurred subsequent to 31 December 2018.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Patrick Sun, Mr. Tze Shan Hailson Yu and Dr. Hong Yan. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2018 and has recommended its adoption by the Board.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2018 annual report containing all information about the Company set out in this announcement including the annual results for the year ended 31 December 2018 will be posted on the Company's website (www.ntpharma.com) and the website of the SEHK (www.hkexnews.hk) in due course.

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

Hong Kong, 29 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Ng Tit, Ms. Chin Yu, Mr. Wu Weizhong and Mr. Wang Fei; 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, Mr. Tze Shan Hailson Yu and Dr. Hong Yan.