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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

During 2014, the Group focused on improving its operating profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the year ended 31 December 2014 increased by RMB110.5 million or 14.7% to RMB864.6 million, as compared with RMB754.1 million for the previous year.

Operating profit for the year ended 31 December 2014 improved significantly, amounting to RMB96.1 million, as compared with an operating loss of RMB577.6 million for the previous year. The improvement in operating result was mainly due to (i) significantly lower selling and distribution expenses as well as administrative expenses; and (ii) no further incurrence of business restructuring costs.

As a result of the improved operating result, the Group reported a net profit of RMB2.1 million for the year ended 31 December 2014, as compared with a net loss of RMB673.5 million for the previous year.

Basic earnings per share was RMB0.19 cents for the year ended 31 December 2014, as compared to basic loss per share of RMB62.24 cents for the year ended 31 December 2013.

On 13 January 2015, the Company placed an aggregate of 216,391,300 placing shares to not fewer than six placees at the placing price of HK$1.05 per placing share. The net proceeds of approximately HK$220.4 million from the share placement were party used for the repayment of certain debts of the Group and the remaining part will be used for expanding the Group's proprietary products portfolio and developing its research development capabilities.

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 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Turnover	3	**864,621**	754,115
Cost of sales		**(473,280)**	(465,147)
Gross profit		**391,341**	288,968
Other revenue	4	**25,179**	25,258
Other net loss		**(3,443)**	(17,053)
Reversal of impairment of trade receivables	9(b)	**29,066**	22,185
Fair value loss on embedded derivatives of unsecured debenture	12(b)	**(46)**	(1,691)
Selling and distribution expenses		**(264,583)**	(375,807)
Administrative expenses		**(81,443)**	(113,400)
Business restructuring costs	8(c)	**–**	(406,098)
Profit/(loss) from operations		**96,071**	(577,638)
Finance costs	5(a)	**(78,744)**	(75,203)
Profit/(loss) before taxation	5	**17,327**	(652,841)
Income tax expense	6	**(15,240)**	(20,617)
Profit/(loss) for the year		**2,087**	(673,458)
Attributable to:			
Equity holders of the Company		**2,087**	(673,458)
Non-controlling interests		**–**	–
Profit/(loss) for the year		**2,087**	(673,458)
Earnings/(loss) per share			
Basic	7	**0.19 cents**	(62.24) cents
Diluted	7	**0.19 cents**	(62.24) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit/(loss) for the year	**2,087**	(673,458)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	**1,623**	(2,941)
Total comprehensive income/(loss) for the year	**3,710**	(676,399)
Attributable to:		
Equity holders of the Company	**3,710**	(676,399)
Non-controlling interests	**–**	–
Total comprehensive income/(loss) for the year	**3,710**	(676,399)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014** RMB'000	2013 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**264,122**	189,189
– Interests in leasehold land held for own use under operating leases		**38,825**	14,818
		302,947	204,007
Intangible assets		**38,524**	44,821
Prepayments for proposed establishment of an associate		**–**	16,000
Goodwill		**–**	–
Deferred tax assets		**96,083**	109,763
		437,554	374,591
Current assets			
Inventories		**84,240**	132,409
Trade and other receivables	9	**403,624**	298,230
Designated loans		**–**	147,114
Held-to-maturity investment		**3,000**	–
Pledged bank deposits		**210,952**	260,063
Cash at banks and in hand		**346,062**	229,239
		1,047,878	1,067,055
Current liabilities			
Trade and other payables	10	**570,401**	576,116
Bank loans	11	**200,261**	285,457
Unsecured debentures	12	**343,981**	29,632
Current taxation		**14,978**	30,830
		1,129,621	922,035
Net current (liabilities)/assets		**(81,743)**	145,020

	Note	**2014**	2013
		RMB'000	*RMB'000*
Total assets less current liabilities		**355,811**	519,611
Non-current liabilities			
Government grant received		**22,216**	–
Unsecured debentures	12	**120,000**	309,941
Deferred tax liabilities		**616**	871
		142,832	310,812
NET ASSETS		**212,979**	208,799
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**212,978**	208,798
Total equity attributable to equity holders of the Company		**212,979**	208,799
Non-controlling interests		**–**	–
TOTAL EQUITY		**212,979**	208,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical and vaccine products and the provision of marketing and promotion services to suppliers in the 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, in which the majority of the group entities operate (i.e. the functional currency of group entities).

With a view to enhancing the Group's competitiveness and improving its cash flows, the Group had been restructuring its business model since 2012. In the second quarter of 2012, the Group decided to gradually exit from the low-margin vaccine business and downsized its vaccine sales and promotion team. In the last quarter of 2012, the Group further decided to terminate the over-the-counter ("OTC") business and dermatological product line in light of a continuing decrease in gross margins of these products and challenging operating environment. During the year ended 31 December 2013, the Group focused on promoting and distributing third-party and self-produced proprietary pharmaceutical products with higher margins and investment returns. The financial impact of the business restructuring was summarised in note 8(c).

Since the residual issues of the major restructuring exercise carried out in 2012 had largely been dealt with during the year ended 31 December 2013, the Group is now able to focus on operating its pharmaceutical promotion and sales business, expanding its proprietary product portfolio and developing its own research and development capabilities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 include the financial position and results of operation of the Company and its subsidiaries.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the embedded derivatives on unsecured debenture, which is stated at fair value.

In preparing the financial statements, the Directors have given consideration to the future liquidity of the Group in light of the fact that the current liabilities exceeded the current assets by RMB81.7 million as at 31 December 2014. After taking into account of the net proceeds of approximately HK$220.4 million from the share placement completed in January 2015 as further detailed in note 14(a) and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to operate as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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.

(b) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) 21	Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011) – Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32 – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36 – Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements for the years presented.

Amendments to HKAS 39 – Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge account when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21 – Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. TURNOVER AND REVENUE

The principal activities of the Group are research and development, manufacturing, sales and distribution of pharmaceutical and vaccine products and provision of marketing and promotion services to suppliers.

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
	RMB'000	*RMB'000*
Sales of pharmaceutical and vaccine products	**757,952**	613,931
Service income	**106,669**	140,184
	864,621	754,115

Sales of pharmaceutical and vaccine products are derived from selling pharmaceutical and vaccine products through the Group's three reportable segments as discussed in note 8, whereas service income represents fees received/receivable from the provision of marketing and promotion services by the Group.

4. OTHER REVENUE

	2014	2013
	RMB'000	*RMB'000*
Interest income on designated loan	**14,934**	12,114
Bank interest income	**6,032**	9,852
Government subsidy income	**3,510**	2,614
Interest income on held-to-maturity investment	**105**	–
Sundry income	**598**	678
	25,179	25,258

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2014	2013
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest on bank and other borrowings	**40,574**	39,191
	Interest on unsecured debentures	**40,773**	31,133
	Bank charges	**700**	4,879
	Total finance costs	**82,047**	75,203
	Less: Amount capitalised in the cost of qualifying assets	**(3,303)**	–
		78,744	75,203

The borrowing costs have been capitalised at a rate of 8.5% (2013: nil) per annum.

		2014	2013
		RMB'000	*RMB'000*
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**18,584**	24,505
	Salaries, wages and other benefits	**71,658**	103,489
	Equity-settled share-based payment expenses	**470**	204
		90,712	128,198

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 13.5% to 22% (2013: 13.5% to 22%) 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% (2013: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). 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.

	2014	2013
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of property, plant and equipment	**16,551**	17,681
Amortisation of lease prepayments	**324**	689
Amortisation of intangible assets	**6,289**	8,712
Asset impairment losses:		
– trade debtors	**8,021**	264,863
– deposits and prepayments	**–**	31,994
Auditors' remuneration:		
– audit services		
– provision for the year	**1,347**	1,440
– under provision in prior year	**–**	1,709
– non-audit services	**24**	23
Operating lease charges in respect of properties	**9,028**	12,162
Cost of inventories	**413,352**	455,410
Reversal of impairment for trade debtors	**(29,066)**	(22,185)
Reversal of impairment for deposits and prepayments	**(841)**	–

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2014	2013
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**965**	45,111
Under/(over) provision in respect of prior years	**850**	(2,947)
	1,815	42,164
Deferred tax		
Origination and reversal of temporary differences	**13,425**	(21,547)
Income tax expense	**15,240**	20,617

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% (2013: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the years ended 31 December 2014 and 2013, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

The Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2013: 25%), except for the subsidiary which is qualified for High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2013: 15%).

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2014 of RMB2,087,000 (2013: loss of RMB673,458,000) and the weighted average number of ordinary shares of the Company in issue during the year.

Weighted average number of ordinary shares (basic)

	2014 **Number** **of shares** ***'000***	2013 Number of shares *'000*
At 1 January and 31 December	**1,081,957**	1,081,957

(b) Diluted earnings/(loss) per share

No adjustment for share options was made in calculating diluted earnings/(loss) per share for both years. For the year ended 31 December 2014, no assumption is made for the exercise of share options because the exercise price of share options exceeded the average market prices of the Company's shares. For the year ended 31 December 2013, the exercise of share options would result in decrease in loss per share. Accordingly, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for both years.

8. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

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

- Proprietary products production and sales: turnover from production and sales of NT branded products and generic drugs through the Company's subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First Pharma").

- Third-party vaccines and other pharmaceuticals: this segment includes sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. For supply chain business, the turnover is derived from supply chain services for pharmaceutical/vaccine products sold through the Group's supply chain network. Promotion activities of such products are carried out by suppliers but not the Group.

The Group's revenue and profit/loss are derived from sales in the PRC and the principal operating assets employed by the Group are located in the PRC, except that an office property with net book value of RMB24,011,000 as at 31 December 2014 (2013: RMB25,303,000) is located in Hong Kong. Accordingly, no geographical information has been presented.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, 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 profit/loss is "operating profit/loss" which is the profit/loss from operations adjusted for items not specifically attributed to individual segments, such as other revenue, other net income/loss, head office or corporate administration expenses.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

	Third-party pharmaceutical promotion and sales		**Proprietary products production and sales**		**Third-party vaccine and other pharmaceuticals**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000
Reportable segment revenue	**706,425**	618,439	**157,404**	126,836	**792**	8,840	**864,621**	754,115
Cost of sales	**(389,580)**	(387,995)	**(81,010)**	(65,010)	**(2,690)**	(12,142)	**(473,280)**	(465,147)
Reportable segment gross profit/(loss)	**316,845**	230,444	**76,394**	61,826	**(1,898)**	(3,302)	**391,341**	288,968
Reportable segment operating profit/(loss)	**65,786**	(91,029)	**35,202**	18,638	**17,872**	(407,710)	**118,860**	(480,101)
Reversal of trade receivables	**4,016**	22,185	**–**	–	**25,050**	–	**29,066**	22,185
Depreciation and amortisation for the year	**7,464**	5,127	**10,283**	13,523	**211**	958	**17,958**	19,608

Segment revenue reported above represents revenue generated from external customers. There are no inter-segment sales in the current year (2013: Nil).

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

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**864,621**	754,115
Profit/(loss)		
Reportable segment operating profit/(loss)	**118,860**	(480,101)
Unallocated head office and corporate expenses	**(44,479)**	(104,051)
Fair value loss on embedded derivatives of unsecured debenture	**(46)**	(1,691)
Other revenue	**25,179**	25,258
Other net loss	**(3,443)**	(17,053)
Finance costs	**(78,744)**	(75,203)
Consolidated profit/(loss) before taxation	**17,327**	(652,841)

(c) Business restructuring costs

As described in note 1, the Group underwent a major business restructuring exercise commencing the second quarter of 2012. The restructuring exercise continued to impact the financial results of the Group for the year ended 31 December 2013. A summary of financial impact is summarised as follows:

	Third-party pharmaceutical promotion and sales		**Third-party vaccine and other pharmaceuticals**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**–**	618,439	**–**	8,840	**–**	627,279
Cost of sales	**–**	(387,995)	**–**	(12,142)	**–**	(400,137)
Reportable segment gross profit	**–**	230,444	**–**	(3,302)	**–**	227,142
Other operating expenses	**–**	(275,808)	**–**	(43,975)	**–**	(319,783)
Business restructuring costs						
– write-down of inventories	**–**	(45,665)	**–**	(70,216)	**–**	(115,881)
– impairment of trade receivables	**–**	–	**–**	(258,223)	**–**	(258,223)
– impairment of deposits and prepayments	**–**	–	**–**	(31,994)	**–**	(31,994)
Sub-total	**–**	(45,665)	**–**	(360,433)	**–**	(406,098)
Total operating loss	**–**	(91,029)	**–**	(407,710)	**–**	(498,739)

The above restructuring costs and operating loss for the third-party vaccine and other pharmaceuticals segment included RMB258,223,000 of impairment loss on trade receivables related to the vaccine business for the year ended 31 December 2013. Since deciding to gradually exit from the low-margin vaccine business in the second quarter of 2012 and downsize the vaccine sales and promotion team, the Group has devoted considerable resources to collect the trade receivables related to the vaccine business. A dedicated team was formed to focus on chasing debts from vaccine customers all across China. To enhance the effectiveness of debt collection efforts, the Group also engaged a pharmaceutical logistics company in China as an agent to collect some of the receivable balances.

However, the Group encountered a lot more difficulties than anticipated in the debt collection process, especially when the Group started to discontinue the distribution and promotion agreements for an increasing number of vaccine products and ceased to conduct vaccine promotional activities. The Group's decision of exiting from the vaccine business and ceasing to conduct promotional activities has left the customers with a sense of higher business risks and as a result many of them delayed payments or even defaulted on their payment obligations. Therefore, a further impairment on accounts receivables of RMB258,223,000 was provided for the year ended 31 December 2013. In addition to impairment of accounts receivables, the business restructuring exercise for the third party vaccine and other pharmaceutical segment led to further write-downs including expired inventories of RMB70,216,000 and unrecoverable deposits of RMB31,994,000 for the year ended 31 December 2013.

Since the residual issues of the major restructuring exercise carried out in 2012 had largely been dealt with during the year ended 31 December 2013, no such restructuring cost was incurred during the year ended 31 December 2014.

(d) Information from major customers

No individual customer had transactions which contributed 10% or more of the Group's revenue for the year ended 31 December 2014. For the year ended 31 December 2013, revenue from third-party pharmaceutical promotion and sales with one customer had exceeded 10% of the Group's revenue. Revenue from this customer amounted to RMB274,697,000 for the year ended 31 December 2013.

9. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**851,669**	718,423
Less: Allowance for doubtful debts *(note (b))*	**(599,339)**	(620,384)
	252,330	98,039
Deposits, prepayments and other receivables *(note (d))*	**151,294**	200,191
	403,624	298,230

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

As at 31 December 2014, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to Nil (2013: RMB15,400,000) (note 11).

(a) Ageing analysis

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

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**211,563**	21,778
More than 3 months but within 6 months	**2,465**	13,383
More than 6 months but within 1 year	**20,254**	13,411
More than 1 year but within 2 years	**18,048**	49,467
More than 2 years	**–**	–
	252,330	98,039

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

		2014	
	Non-vaccine	**Vaccine**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Not past due	**96,924**	**–**	**96,924**
Less than 3 months past due	**118,387**	**–**	**118,387**
More than 3 months but less than 6 months past due	**6,860**	**–**	**6,860**
More than 6 months but less than 1 year past due	**16,220**	**–**	**16,220**
More than 1 year but less than 2 years past due	**13,939**	**–**	**13,939**
	252,330	**–**	**252,330**

	2013		
	Non-vaccine	Vaccine	Total
	RMB'000	*RMB'000*	*RMB'000*
Not past due	15,478	–	15,478
Less than 3 months past due	21,362	–	21,362
More than 3 months but less than 6 months past due	11,404	–	11,404
More than 6 months but less than 1 year past due	33,268	–	33,268
More than 1 year but less than 2 years past due	16,527	–	16,527
	98,039	–	98,039

Trade debtors are normally due within 30 to 240 days from the date of billing.

(b) Impairment of trade debtors

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**620,384**	377,706
Impairment loss recognised during the year		
–Vaccine	**–**	258,223
–Non-vaccine	**8,021**	6,640
	8,021	264,863
Reversal of impairment	**(29,066)**	(22,185)
At 31 December	**599,339**	620,384

Impairment losses in respect of trade debtors and bills receivable was 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.

As at 31 December 2014, the Group performed an individual credit evaluation on all vaccine debtors. These evaluations considered the debtor's background, financial strengths, repayment status during and after 2014, and other specific circumstances with the debtors. As a result of the evaluation exercise based on the information available and current circumstances at 31 December 2014, the Group recorded impairment provision of RMB577,106,000 (2013: RMB602,156,000) against the gross receivables balance from customers of the vaccine business which were overdue for more than one year and brought forward from 31 December 2013, and a reversal of impairment of RMB25,050,000 (2013: Nil) was credited to the consolidated income statement for the year ended 31 December 2014. In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB22,233,000 (2013: RMB18,228,000) was recognised against the gross receivable balance of RMB274,563,000 (2013: RMB116,267,000) as at 31 December 2014 and a reversal of impairment of non-vaccine trade receivables of RMB4,016,000 (2013: Nil) was credited to the consolidated income statement for the year ended 31 December 2014.

As at 31 December 2014, the Group's trade debtors and bill receivables of RMB599,339,000 (2013: RMB620,384,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB8,021,000 (2013: RMB264,863,000) was recognised to the consolidated income statement for the year ended 31 December 2014.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**96,924**	15,478
Less than 3 months past due	**99,657**	13,734
More than 3 months but less than 6 months past due	**6,570**	10,531
More than 6 months past due	**27,604**	38,463
	133,831	62,728
	230,755	78,206

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired included balances of RMB 133,831,000 (2013: RMB62,728,000) in respect of non-vaccine business. These non-vaccine receivables relate to a number of independent customers that have demonstrated a consistent track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in their credit quality and the balances are still considered to be fully recoverable. The non-vaccine receivables that were past due but not impaired represent management's assessment of the recoverability of the individual balances based on information available and current circumstances.

The Group does not hold any collateral over non-vaccine related receivable balances.

(d) Deposits, prepayments and other receivables

	2014	2013
	RMB'000	*RMB'000*
VAT recoverable	**55,051**	76,362
Prepayments	**48,464**	43,545
Advances paid to suppliers	**44,482**	77,164
Rental and other deposits	**3,297**	3,120
	151,294	200,191

10. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade creditors	**66,737**	81,472
Bills payable *(note (a))*	**408,080**	352,734
Total trade creditors and bills payable *(note (b))*	**474,817**	434,206
Receipts in advance from customers	**16,437**	21,917
Accrued promotion expenses	**51,999**	72,760
Accrued staff costs	**4,904**	11,906
Other payables and accruals	**22,244**	35,327
	570,401	576,116

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

Notes:

(a) As at 31 December 2014, the bills payable were secured by the bank deposits of RMB177,952,000 (2013: RMB227,063,000).

(b) Aging analysis of trade creditors and bills payable based on the billing date of invoices is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**63,600**	14,398
More than 3 months but within 6 months	**403,366**	352,807
More than 6 months but within 1 year	**469**	523
More than 1 year	**7,382**	66,478
	474,817	434,206

11. BANK LOANS

As at 31 December 2014, the bank loans comprised:

	2014	2013
	RMB'000	*RMB'000*
Bank loans-repayable within 1 year or on demand		
– Secured	**200,261**	106,957
– Unsecured	**–**	178,500
	200,261	285,457

As at 31 December 2014, the Group had banking facilities of RMB229,328,000 (2013: RMB570,542,000), which were utilised to the extent of RMB200,261,000 (2013: RMB106,957,000). The banking facilities were secured by certain assets of the Group as set out below:

	2014	2013
	RMB'000	*RMB'000*
Fixed assets	**24,011**	25,303
Trade and other receivables	**–**	15,400
Pledged bank deposits	**33,000**	33,000
	57,011	73,703

As at 31 December 2014, certain banking facilities of the Group amounting to RMB300,000,000 (2013: RMB300,000,000) were guaranteed by a company controlled by a municipal government in the PRC. As at 31 December 2014, there is no financial covenant related to the above banking facilities.

12. UNSECURED DEBENTURES

(a) In April 2012, the Group's PRC subsidiary, Suzhou First Pharma joined a "Small and Medium Enterprises of Suzhou Industrial Park Collective Bonds Issuance" project sponsored by a Chinese commercial bank. Under this project, Suzhou First Pharma issued an unsecured debenture of RMB20,000,000 with a maturity period of three years from 27 April 2012 to 26 April 2015. The debenture carries a fixed annual interest rate of 7.5%. The interest is payable annually on 26 April.

(b) In February 2013, the Group's PRC subsidiary, NT Pharma (Jiangsu) Co., Ltd., issued a RMB300,000,000 local SME Private Debt, which was regulated and approved by Shanghai Stock Exchange. The coupon interest rate of the debt is 9.5% per annum. The debt had a maturity period of three years with the debt holder having an option to redeem the debt at face value after two years. The debt was guaranteed by a company controlled by a municipal government in the PRC and was subsequently repaid on 28 January 2015.

The movements of the liability and derivatives components of the unsecured debenture during the year are set out below:

	Embedded derivatives at fair value through profit or loss *RMB'000*	**Liability component at amortised cost basis** *RMB'000*	**Total** *RMB'000*
At 1 January 2013	–	–	–
Proceeds received	1,573	286,677	288,250
Interest charged to profit or loss	–	29,632	29,632
Change in fair value	1,691	–	1,691
At 31 December 2013	3,264	316,309	319,573
Analysed as:			
As non-current liabilities	3,264	286,677	289,941
As current liabilities	–	29,632	29,632
	3,264	316,309	319,573
At 1 January 2014	**3,264**	**316,309**	**319,573**
Repayment of interest	**–**	**(28,500)**	**(28,500)**
Interest charged to profit or loss	**–**	**32,862**	**32,862**
Change in fair value	**46**	**–**	**46**
At 31 December 2014	**3,310**	**320,671**	**323,981**
Analysed as:			
As non-current liabilities	**–**	**–**	**–**
As current liabilities	**3,310**	**320,671**	**323,981**
	3,310	**320,671**	**323,981**

(c) In May 2014, the Group's PRC subsidiary, Suzhou First Pharma issued a RMB120,000,000 non-publicly traded debenture, which is regulated and approved by the Shanghai Stock Exchange, to a qualified institutional investor. The debenture of RMB120,000,000 with a maturity period of two years from 23 May 2014 to 22 May 2016. The debenture carries a fixed annual interest rate of 8.5% per annum and the interest is payable quarterly on 23 February, 23 May, 23 August and 23 November every year.

13. DIVIDEND

No dividend was declared or paid by the Company during the years ended 31 December 2014 and 2013.

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2015, the Company placed an aggregate of 216,391,300 placing shares to not fewer than six placees at the placing price of HK$1.05 per placing share. The net proceeds of approximately HK$220.4 million from the share placement will be used for expanding the Group's proprietary products portfolio and developing its research and development capabilities and repayment of certain debts of the Group.

(b) On 15 January 2015, the Company granted 41,500,000 share options to eligible participants under the 2014 Share Option Scheme. Each share option entitles its holder to subscribe for one share of US$0.00000008 at an exercise price of HK$1.25. Among the 41,500,000 share options granted, 4,000,000 share options were granted to a director of the Company.

(c) On 4 February 2015, NT Tongzhou Pharma (SH) Co., Limited ("NT Tongzhou"), Suzhou First Pharmaceutical Co., Ltd.("Suzhou First Pharma"), both indirect wholly owned subsidiaries of the Company, and Sinopharm Nutraceuticals (Shanghai) Co., Ltd. ("Sinopharm Nutraceuticals") entered into the joint venture agreement pursuant to which Sinopharm Nutraceuticals agreed to invest RMB12 million in Shanghai Xin He Pharmaceutical Co., Ltd ("Shanghai Xin He"), a company incorporated in the PRC Shanghai Xin He which is owned as to 90% by NT Tongzhou and 10% by Suzhou First Pharma at the agreement date. Prior to the completion of the joint venture agreement, the registered capital of Shanghai Xin He shall increase from RMB5 million to RMB20 million. Upon completion of the joint venture agreement, Shanghai Xin He shall be owned as to 60% by Sinopharm Nutraceuticals, 28.125% by NT Tongzhou, 1.875% by Suzhou First Pharma and 10% by the management team of Shanghai Xin He to be contributed by NT Tongzhou and Suzhou First Pharma in proportion of 9.375% and 0.625%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

NT Pharma is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services in the People's Republic of China ("China" or "PRC"). The Group's history dates back to 1995 and the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "HKSE") on 20 April 2011. NT Pharma has an extensive promotion network covering over 4,400 hospitals in China. The Group possesses manufacturing capabilities through its wholly-owned subsidiary, Suzhou First Pharmacentical Co., Ltd. ("Suzhou First"), which is certified by the new Good Manufacturing Practice (the "GMP"), and has obtained approvals from the State Food and Drug Administration of China (the "SFDA") for 157 drug registration licences.

During 2014, the Group substantially dedicated its focus on improving its operating profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the year ended 31 December 2014 increased by RMB110.5 million or 14.7% to RMB864.6 million, as compared with RMB754.1 million for the previous year. Operating profit for the year ended 31 December 2014 improved significantly, amounting to RMB96.1 million, as compared with an operating loss of RMB577.6 million for the previous year. The improvement in operating result during the year ended 31 December 2014 was mainly due to the following factors: (i) significantly lower selling and distribution expenses as well as administrative expenses; (ii) no further incurrence of business restructuring costs; As a result of the improved operating result, the Group reported a net profit of RMB2.1 million for the year ended 31 December 2014, as compared with a net loss of RMB673.5 million for the previous year.

2. BUSINESS REVIEW

The Group currently operates three major business segments, namely (1) third-party pharmaceutical promotion and sales; (2) proprietary products production and sales; and (3) third-party vaccines and other pharmaceuticals.

Third-party Pharmaceutical Promotion and Sales

During the year ended 31 December 2014, revenue generated by the third-party pharmaceutical promotion and sales segment increased by RMB88.0 million or 14.2% to RMB706.4 million, as compared with RMB618.4 million for the previous year.

The increase in overall revenue of the segment was mainly attributable to Libod, an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH"), of which the revenue increased by RMB146.8 million or 126.6% to RMB262.8 million, accounting for 37.2% of the segment's total sales for the year ended 31 December 2014, as compared with RMB116.0 million or 18.8% of the segment's total sales for the previous year. The strong growth in sales of Libod was partly due to the fact that Libod has steadily built up a demonstrable track record of safety and effectiveness in treating multiple types of cancer, in particular breast tumor and lymphoma, since its launch in 2011, and partly due to NT Pharma's increased dedication and allocation of resources to its oncology business.

The overall revenue of Fortum, an antibiotic manufactured by Glaxo-Smith Kline Plc ("GSK"), however decreased by RMB46.5 million or 13.1% to RMB308.2 million, accounting for 43.6% of the segment's total sales for the year ended 31 December 2014, as compared with RMB354.7 million or 57.4% of the segment's total sales for the previous year. Since the second half of 2013, GSK has been restructuring its business model in China in order to rein in operational, legal and compliance risks. New management team members have been appointed and new internal control measures have been implemented throughout 2014 at GlaxoSmithKline China ("GSK China"). One of the key initiatives introduced by GSK China is to reduce the inventory level across-the-board at its distributors to avoid overstocking in the distribution channels. The supply of Fortum to the Group has therefore been subjected to much greater constraints than before since the beginning of 2014, which affected adversely the Group's delivery of Fortum to its own distributors. In view of the fact that this represents GSK China's nationwide policy across all product categories, NT Pharma anticipates that the supply situation of Fortum will probably remain rather tight in the foreseeable future. In view of this supply situation, coupled with the Group's newly-found strategy of focusing on its higher-margin products and manufacturing operations, it is the intention of NT Pharma to de-emphasise the sales and promotion activities on Fortum and concentrate its resources on the development of its oncology and central nervous system ("CNS") products and manufacturing businesses instead.

Since the second quarter of 2014, the Group has commenced an exercise to revamp its sales force as well as the policies and controls on selling and promotional expenses. As a result of these efforts, the operating expenses of the segment decreased by RMB24.7 million or 9.0% to RMB251.1 million for the year ended 31 December 2014, as compared with RMB275.8 million for the previous year. Furthermore, the segment had not incurred any business restructuring cost in the year ended 31 December 2014, as compared with RMB45.7 million of impairment provision for the inventories of terminated dermatological products incurred for the previous year. As a result of the fore-going factors, the segment reported an operating profit of RMB65.8 million for the year ended 31 December 2014, as compared with an operating loss of RMB91.0 million for the previous year.

Proprietary Product Production and Sales

Proprietary products of the Group are produced by Suzhou First and comprise Shusi, an atypical antipsychotic drug, as well as a wide range of other drugs including Ambroxol Hydrochloride, a widely used respiratory drug. The total revenue of the proprietary product production and sales segment increased by RMB30.6 million or 24.1% to RMB157.4 million for the year ended 31 December 2014, as compared with RMB126.8 million for the previous year. Of the total segment revenue, the revenue of Shusi increased by RMB23.0 million or 42.9% to RMB76.6 million, accounting for 48.7% of the segment's total sales for the year ended 31 December 2014, as compared with RMB53.6 million or 42.3% of the segment's total sales for the previous year. The increase in the sales of Shusi was due to favourable provincial tendering results as well as consumption of inventory in the distribution channels.

Operating profit of the segment increased by RMB16.6 million or 88.9% to RMB35.2 million for the year ended 31 December 2014, as compared with RMB18.6 million for the previous year. The increase in operating profit was mainly due to the increase in the sales of Shusi during the year ended 31 December 2014.

Third-Party Vaccines and Other Pharmaceuticals

Third-party vaccines and other pharmaceuticals business segment includes sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain.

With a view to enhancing competitiveness and improving cash flow, the Group began restructuring its business model in the second quarter of 2012 by exiting from its low-margin vaccine business, downsizing its vaccine promotion and sales team and focusing on its pharmaceutical manufacturing, promotion and sales business which has higher margins and returns. As a result, revenue from the third-party vaccines and other pharmaceuticals business segment decreased by RMB8.0 million or 91.0% to RMB0.8 million for the year ended 31 December 2014, as compared with RMB8.8 million for the previous year. The revenue represented mainly sales of residual vaccine inventories, as the Group has ceased conducting any active vaccine promotion and distribution activities since the end of 2013.

During the year ended 31 December 2013, the segment incurred restructuring costs which amounted to RMB360.4 million, comprising principally impairment provisions for trade receivables, inventories, deposits and prepayments in respect of the vaccine business. No such restructuring cost was incurred during the year ended 31 December 2014. Conversely, as the Group continued to devote considerable resources to collecting the vaccine trade receivables, RMB25.1 million was recovered and credited to the segment's operating results for the year ended 31 December 2014. As such, the segment reported an operating profit of RMB17.8 million for the year ended 31 December 2014, as compared with an operating loss of RMB407.7 million for the previous year.

3. PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favourable factors, including the size of an increasing ageing population, the Chinese government's commitment to improving access to healthcare services and better affordability from rising disposable income.

With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its new strategy of focusing on the manufacturing, sales and distribution of high margin pharmaceutical products, in particular proprietary products, in order to achieve its objective of transforming from being a distributor of predominantly third-party products to becoming a fully-fledged pharmaceutical company. The Group believes that the existing specialized therapeutic areas of oncology and CNS will deliver sustainable growth in the long-run and will continue to actively identify opportunities to acquire new proprietary products to enrich its existing and future product portfolio.

During 2013, the Group completed the acquisition of the intellectual property rights including patents, know-how and trademarks in relation to Xi Di Ke, a unique national class 1.1 new drug approved by the SFDA for the treatment of malignant lung and breast tumors. In the beginning of 2014, the SFDA also granted approval for the Group to commence the phase II clinical trial for the treatment of myelodysplastic syndromes ("MDS"), a new indication, for Xi Di Ke. In order to meet its future demand, NT Pharma has invested more than RMB100.0 million in constructing a new manufacturing plant in Taizhou, Jiangsu Province, for the production of Xi Di Ke. The construction work of the new plant has been completed since March 2014. It is expected that the new GMP certification will be obtained in 2015 so that production may commence in 2015. In line with NT Pharma's strategic focus on the promotion and sales of oncology products, the Group believes that the successful marketing of Xi Di Ke will provide long-term growth for the Group in view of the increasing prevalence of cancer in China.

NT Pharma will continue to strengthen its internal control and credit control systems and procedures so as to improve its management of working capital and cash flow. The Group will also continue to introduce cost-saving measures in regard of both selling and distribution expenses as well as administrative expenses. Throughout 2014, the Group continued to revamp its sales force, revise its policies on selling and promotion expenses, as well as introduce new structures and policies to strengthen compliance practices yet incentivise sales performance. NT Pharma believes that the Group would benefit from the positive effects of these new initiatives in the coming years. On 13 January 2015, the Company placed an aggregate of 216,391,300 placing shares to not fewer than six placees at the placing price of HK$1.05 per placing share. The net proceeds of approximately HK$220.4 million from the share placement were party used for the repayment of certain debts of the Group and the remaining part will be used for expanding the Group's proprietary products portfolio and developing its research and development capabilities. On a macro level, the Group will continue to closely monitor the trends of the Chinese pharmaceutical market and the directions of related government policies. NT Pharma remains confident in its ability to continue to bolster its competitive position in the Chinese pharmaceutical market.

4. HUMAN RESOURCES

As at 31 December 2014, the Group had 497 full-time employees (2013: 640 employees). For the year ended 31 December 2014, the Group's total cost on remuneration, welfare and social security amounted to RMB90.7 million (2013: RMB128.2 million).

The remuneration structure of the Group is based on employee performance, local consumption level and prevailing conditions in the human resources market. Directors' remuneration is determined with reference to each Director's experience, responsibilities and prevailing market standards.

5. FINANCIAL REVIEW

Revenue

Total revenue for the year ended 31 December 2014 increased by RMB110.5 million or 14.7% to RMB864.6 million, as compared to RMB754.1 million for the year ended 31 December 2013. The increase was due to the increase in revenue from the third-party pharmaceutical promotion and sales business as well as the proprietary product production and sales business.

The following table sets forth a breakdown of the Group's revenue by reportable segment for the year ended 31 December 2014:

Breakdown of Reportable Segment Revenue

	For the year ended 31 December				
	2014		2013		
	Revenue *RMB'000*	**% of total revenue**	Revenue *RMB'000*	% of total revenue	**% Change**
Third-party pharmaceutical promotion and sales	**706,425**	**81.7%**	618,439	82.0%	**14.2%**
Proprietary product production and sales	**157,404**	**18.2%**	126,836	16.8%	**24.1%**
Third-party vaccines and other pharmaceuticals	**792**	**0.1%**	8,840	1.2%	**(91.0)%**
Total	**864,621**	**100.0%**	754,115	100.0%	**14.7%**

Revenue from third-party pharmaceutical promotion and sales increased by RMB88.0 million or 14.2% to RMB706.4 million, accounting for 81.7% of total revenue in 2014, as compared with RMB618.4 million or 82.0% of the Group's total revenue for the year ended 31 December 2013. As previously mentioned in this announcement, the increase in revenue from third-party pharmaceutical promotion and sales was primarily due to an increase in sales of the Group's key products.

Revenue from proprietary product production and sales increased by RMB30.6 million or 24.1% to RMB157.4 million, accounting for 18.2% of total revenue in 2014, as compared with RMB126.8 million or 16.8% of the Group's total revenue for the year ended 31 December 2013. The increase in revenue from proprietary product production and sales was primarily due to the increase in sales of Shusi.

Revenue from third-party vaccines and other pharmaceuticals decreased by RMB8.0 million or 91.0% to RMB0.8 million, accounting for 0.1% of total revenue in 2014, as compared with RMB8.8 million or 1.2% of the Group's total revenue for the year ended 31 December 2013. The decrease in revenue from third-party vaccines and other pharmaceuticals was primarily due to the Group's decision to gradually exit from the vaccine business as well as to downsize its vaccine promotion and sales team.

Cost of Sales

Cost of sales increased by RMB8.1 million or 1.7% to RMB473.3 million for the year ended 31 December 2014, as compared to RMB465.1 million for the year ended 31 December 2013.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB102.4 million or 35.4% to RMB391.3 million for the year ended 31 December 2014, as compared to RMB289.0 million for the year ended 31 December 2013.

Gross profit margin increased by 7.0 percentage points to 45.3% for the year ended 31 December 2014 as compared to 38.3% for the year ended 31 December 2013.

Segment Operating Profit

Total segment operating profit amounted to RMB118.9 million for the year ended 31 December 2014 as compared to the total segment operating loss of RMB480.1 million for the year ended 31 December 2013.

The following table sets forth a breakdown of the Group's operating profit (loss) by reportable segment for the year ended 31 December 2014:

Breakdown of Reportable Segment Operating Profit/(Loss)

	For the year ended 31 December		
	2014	2013	**% Change**
	RMB'000	*RMB'000*	
Third-party pharmaceutical promotion and sales	**65,786**	(91,029)	172.3%
Proprietary product production and sales	**35,202**	18,638	88.9%
Third-party vaccines and other pharmaceuticals	**17,872**	(407,710)	104.4%
Total	**118,860**	(480,101)	124.8%

Finance Costs

The Group's finance costs consist of interest on bank borrowings, interest on unsecured debentures and bank charges. Finance costs increased by RMB3.5 million or 4.7% to RMB78.7 million for the year ended 31 December 2014, as compared to RMB75.2 million for the year ended 31 December 2013.

Taxation

Income tax expense was RMB15.2 million for the year ended 31 December 2014 as compared to an income tax expense of RMB20.6 million for the year ended 31 December 2013.

Profit/(Loss) Attributable to Equity holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2014 was RMB2.1 million as compared to a loss of RMB673.5 million for the year ended 31 December 2013. The significantly improvement was primarily attrible to that fact that no business restructuring cost was incurred for the year ended 31 December 2014 as well as lower selling and distribution expenses.

Basic Earnings/(Loss) Per Share

Basic earnings per share was RMB0.19 cents for the year ended 31 December 2014, as compared to basic loss per share of RMB62.24 cents for the year ended 31 December 2013.

Capital Expenditure

Total capital expenditure increased by RMB99.5 million or 559.0% to RMB117.3 million for the year ended 31 December 2014, as compared to RMB17.8 million for the year ended 31 December 2013. The capital expenditure was mainly used for constructing the factory building and acquiring the leasehold land for Group's new factory in Taizhou.

Use of Proceeds from Listing

The shares of the Company were listed on the HKSE on 20 April 2011. The net proceeds received by the Company from the listing amounted to approximately RMB933.8 million. In the listing prospectus of the Company dated 8 April 2011 (the "Prospectus"), it was stated that approximately 25% of the net proceeds would be used for upgrading and expanding its infrastructure, including further investments in the advanced cold-chain technology and equipment. However, as the Group decided to gradually exit from the vaccine business, there would be no further investment in cold-chain technology and equipment. As a result, the Group intends to apply the unutilized amount from "upgrading and expanding its infrastructure, including further investments in the advanced cold-chain technology and equipment" to other areas of development including expanding product portfolio, purchasing imported pharmaceutical products and general working capital.

As at 31 December 2014, the balance of unutilized proceeds amounted to RMB57.6 million and the use of proceeds can be summarized as follows.

	As at 31 December 2014 RMB'000
Expanding distribution network and promotion teams	**98,120**
Infrastructure, IT and logistic	**146,134**
Product portfolio expansion	**214,532**
Purchasing imported vaccines or pharmaceutical products and general working capital	**372,454**
Loan settlement	**45,000**
Total	**876,240**

6. LIQUIDITY AND FINANCIAL RESOURCES

General 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 pricing products commensurately with the level of risk and by 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 and purchases made by the Group's Hong Kong and PRC subsidiaries that are denominated in Pounds Sterling. In addition, certain bank loans are denominated in Hong Kong dollars. During the year ended 31 December 2014, the Group recorded a net exchange loss of RMB3.2 million, as compared to a net exchange loss of RMB0.5 million for the year ended 31 December 2013. 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, other 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	
	2014	2013
	RMB'000	*RMB'000*
Total debt	**(664,242)**	(625,030)
Cash and cash equivalents	**557,014**	489,302
Net debt	**(107,228)**	(135,728)

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Repayable:		
Within 1 year or on demand	**544,242**	315,089
After more than 1 year	**120,000**	309,941
	664,242	625,030

In May 2014, the Group's PRC subsidiary, Suzhou First issued a RMB120,000,000 non-publicly traded bond to a qualified institutional investor. The coupon interest rate of the bond is 8.5% per annum. The bond has a maturity period of two years from the date of the bond issued.

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	
	2014	2013
	RMB'000	*RMB'000*
Total debt	**664,242**	625,030
Total assets	**1,485,432**	1,441,646
Debt-to-assets ratio	**44.7%**	43.4%

Charges on the Group's Assets

As at 31 December 2014, bank deposits of the Group of RMB211.0 million (31 December 2013: RMB260.1 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB597.1 million (31 December 2013: RMB626.2 million). As at 31 December 2014, certain banking facilities of the Group were also secured by the Group's fixed assets and trade and other receivables which amounted to RMB24.0 million (2013: RMB40.7 million).

Capital Commitments

Capital commitments outstanding at 31 December 2014 not provided for were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Contracted for		
– property, plant and equipment	**27,944**	22,300
– investment in a joint venture	**7,500**	–
– investment in an associate	**–**	64,000
	35,444	86,300

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**6,549**	8,667
After 1 year but within 5 years	**3,336**	2,092
	9,885	10,759

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 two years. None of the leases includes contingent rentals.

Contingent liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

7. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2014.

8. 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 Rules Governing the Listing of Securities on the HKSE (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 2014 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 two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors, with the Independent Non-executive Directors representing approximately 42.9% of the Board, which is higher than one third of the Board. Such percentage of Independent Non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

9. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 2014.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

11. 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. Yue Nien Martin Tang and Dr. Lap-Chee Tsui. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2014 and has recommended its adoption by the Board.

12. PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2014 annual report containing all information about the Company set out in this announcement including the financial results for the year ended 31 December 2014 will be posted on the Company's website (**www.ntpharma.com**) and the website of the HKSE (**www.hkexnews.hk**) in due course.

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

Hong Kong, 19 March 2015

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