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 2015

**HIGHLIGHTS**

During 2015, 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 2015 slightly decreased by RMB16.9 million or 2.0% to RMB847.7 million, as compared with RMB864.6 million for the previous year.

Operating profit for the year ended 31 December 2015 improved significantly, amounting to RMB136.0 million, as compared with an operating profit of RMB96.1 million for the previous year. The improvement in operating result was mainly due to (i) increase of contribution from higher margin products, such as Libod and Shusi; (ii) lower selling and distribution expenses; and (iii) significantly lower finance costs incurred during the year.

As a result of the improved operating result, the Group reported a net profit of RMB87.7 million for the year ended 31 December 2015, as compared with a net profit of RMB2.1 million for the previous year.

Basic earnings per share was RMB6.19 cents for the year ended 31 December 2015, as compared to basic earnings per share of RMB0.19 cents for the year ended 31 December 2014.

The Board recommended a final dividend of HK1 cent per share for the year ended 31 December 2015.

## 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 2015, together with the comparative figures for the year ended 31 December 2014 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2015*

| | Note | **2015** *RMB'000* | 2014 *RMB'000* |
|---|---|---|---|
| **Revenue** | *3* | **847,726** | 864,621 |
| Cost of sales | | **(396,219)** | (473,280) |
| **Gross profit** | | **451,507** | 391,341 |
| Other revenue | *4* | **32,209** | 25,179 |
| Other net loss | | **(232)** | (3,443) |
| Impairment of trade receivables | *9(b)* | **(29,072)** | (8,021) |
| Impairment of other receivables | | **(20,828)** | – |
| Reversal of impairment of other receivables | | **15,714** | – |
| Reversal of impairment of trade receivables | *9(b)* | **8,403** | 29,066 |
| Change in fair value on embedded derivatives of unsecured debenture | *12(b)* | **–** | (46) |
| Loss on redemption of unsecured debenture | | **(1,868)** | – |
| Selling and distribution expenses | | **(228,899)** | (264,583) |
| Administrative expenses | | **(90,977)** | (73,422) |
| **Profit from operations** | | **135,957** | 96,071 |
| Finance costs | *5(a)* | **(27,252)** | (78,744) |
| Share of loss of an associate | | **(8,000)** | – |
| **Profit before taxation** | *5* | **100,705** | 17,327 |
| Income tax expense | *6* | **(13,011)** | (15,240) |
| **Profit for the year** | | **87,694** | 2,087 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **87,694** | 2,087 |
| Non-controlling interests | | **–** | – |
| **Profit for the year** | | **87,694** | 2,087 |
| **Earnings per share** | | | |
| Basic | *7* | **6.19 cents** | 0.19 cents |
| Diluted | *7* | **6.14 cents** | 0.19 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **87,694** | 2,087 |
| **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") | **2,665** | 1,623 |
| **Total comprehensive income for the year** | **90,359** | 3,710 |
| **Attributable to:** | | |
| Equity holders of the Company | **90,359** | 3,710 |
| Non-controlling interests | **–** | – |
| **Total comprehensive income for the year** | **90,359** | 3,710 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2015*

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| – Property, plant and equipment | | **300,501** | 264,122 |
| – Interests in leasehold land held for own use under operating leases | | **43,964** | 38,825 |
| | | **344,465** | 302,947 |
| Intangible assets | | **133,425** | 38,524 |
| Goodwill | | **–** | – |
| Interest in an associate, net | | **–** | – |
| Deferred tax assets | | **87,745** | 96,083 |
| | | **565,635** | 437,554 |
| **Current assets** | | | |
| Inventories | | **174,834** | 84,240 |
| Trade and other receivables | *9* | **306,460** | 403,624 |
| Held-to-maturity investment | | **–** | 3,000 |
| Pledged bank deposits | | **23,389** | 210,952 |
| Cash at banks and in hand | | **327,995** | 346,062 |
| | | **832,678** | 1,047,878 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **215,696** | 570,401 |
| Bank loans | *11* | **141,170** | 200,261 |
| Unsecured debentures | *12* | **120,000** | 343,981 |
| Current taxation | | **18,724** | 14,978 |
| | | **495,590** | 1,129,621 |
| **Net current assets/(liabilities)** | | **337,088** | (81,743) |

| | Note | **2015** | 2014 |
|---|---|---|---|
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Total assets less current liabilities** | | **902,723** | 355,811 |
| **Non-current liabilities** | | | |
| Government grant received | | **–** | 22,216 |
| Unsecured debentures | *12* | **–** | 120,000 |
| Deferred tax liabilities | | **–** | 616 |
| | | **–** | 142,832 |
| **NET ASSETS** | | **902,723** | 212,979 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **1** | 1 |
| Reserves | | **890,362** | 212,978 |
| **Total equity attributable to equity holders of the Company** | | **890,363** | 212,979 |
| **Non-controlling interests** | | **12,360** | – |
| **TOTAL EQUITY** | | **902,723** | 212,979 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

## 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).

## 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 and the Company. 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 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.

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.

**(c) Changes in accounting policies**

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

| | |
|---|---|
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010-2012 Cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011-2013 Cycle |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

*Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle*

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

## 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:

| | **2015** | 2014 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| Sales of pharmaceutical and vaccine products | **625,266** | 757,952 |
| Service income | **222,460** | 106,669 |
| | **847,726** | 864,621 |

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on designated loan | **–** | 14,934 |
| Bank interest income | **5,683** | 6,032 |
| Government grant and subsidy income | **26,512** | 3,510 |
| Interest income on held-to-maturity investment | **14** | 105 |
| Sundry income | **–** | 598 |
| | **32,209** | 25,179 |

## 5. PROFIT BEFORE TAXATION

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(a) Finance costs** | | |
| Interest on bank and other borrowings | **14,277** | 40,574 |
| Interest on unsecured debentures | **13,714** | 40,773 |
| Bank charges | **635** | 700 |
| Total finance costs | **28,626** | 82,047 |
| Less: Amount capitalised in the cost of qualifying assets | **(1,374)** | (3,303) |
| | **27,252** | 78,744 |

The borrowing costs have been capitalised at a rate of 8.5% (2014: 8.5%) per annum.

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(b) Staff costs** | | |
| Contributions to defined contribution retirement plans | **8,245** | 18,584 |
| Salaries, wages and other benefits | **50,408** | 71,658 |
| Equity-settled share-based payment expenses | **7,441** | 470 |
| | **66,094** | 90,712 |

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% (2014: 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% (2014: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of 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.

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(c) Other items** | | |
| Depreciation of property, plant and equipment | **13,555** | 16,551 |
| Amortisation of lease prepayments | **323** | 324 |
| Amortisation of intangible assets | **2,050** | 6,289 |
| Impairment loss of trade receivables | **29,072** | 8,021 |
| Impairment loss of other receivables | **20,828** | – |
| Auditors' remuneration: | | |
| – audit services | **1,369** | 1,347 |
| – non-audit services | **20** | 24 |
| Operating lease charges in respect of properties | **11,830** | 9,028 |
| Reversal of impairment of trade receivables | **(8,403)** | (29,066) |
| Reversal of impairment of other receivables | **(15,714)** | (831) |

## 6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax – PRC Income Tax** | | |
| Provision for the year | **5,035** | 965 |
| Under provision in respect of prior years | **254** | 850 |
| | **5,289** | 1,815 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **7,722** | 13,425 |
| **Income tax expense** | **13,011** | 15,240 |

*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% (2014: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the years ended 31 December 2015 and 2014, 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% (2014: 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% (2014: 15%).

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2015 of RMB87,694,000 (2014: earnings of RMB2,087,000) and the weighted average number of ordinary shares of the Company in issue during the year.

**Weighted average number of ordinary shares (basic)**

| | **2015 Number of shares *'000*** | 2014 Number of shares *'000* |
|---|---|---|
| Issued ordinary shares at 1 January 2015 | **1,081,957** | 1,081,957 |
| Effect of issue of shares under placing | **334,592** | – |
| At 31 December | **1,416,549** | 1,081,957 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option schemes assuming they were exercised.

| | **2015 Number of shares *'000*** | 2014 Number of shares *'000* |
|---|---|---|
| Weighted average number of ordinary shares as at 31 December 2015 | **1,416,549** | 1,081,957 |
| Effect of deemed issue of ordinary shares under the Company's share option schemes | **11,114** | – |
| At 31 December | **1,427,663** | 1,081,957 |

## 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 included sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. For supply chain business, the turnover was derived from supply chain services for pharmaceutical/vaccine products sold through the Group's supply chain network. Promotion activities of such products were carried out by suppliers but not the Group. This segment was closed down during the year.

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 RMB24,035,000 as at 31 December 2015 (2014: RMB24,011,000) 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 2015 and 2014 is set out below.

| | **Third-party pharmaceutical promotion and sales** | | **Proprietary products production and sales** | | **Third-party vaccine and other pharmaceuticals** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Reportable segment revenue | **630,423** | 706,425 | **217,303** | 157,404 | **–** | 792 | **847,726** | 864,621 |
| Cost of sales | **(310,767)** | (389,580) | **(85,452)** | (81,010) | **–** | (2,690) | **(396,219)** | (473,280) |
| Reportable segment gross profit/(loss) | **319,656** | 316,845 | **131,851** | 76,394 | **–** | (1,898) | **451,507** | 391,341 |
| Reportable segment operating profit | **81,114** | 65,786 | **71,001** | 35,202 | **2,135** | 17,872 | **154,250** | 118,860 |
| Impairment loss of trade receivables | **(6,899)** | – | **(22,173)** | (8,021) | **–** | – | **(29,072)** | (8,021) |
| Reversal of impairment of trade receivables | **8,403** | 4,016 | **–** | – | **–** | 25,050 | **8,403** | 29,066 |
| Impairment loss of other receivables | **(20,828)** | – | **–** | – | **–** | – | **(20,828)** | – |
| Reversal of impairment of other receivables | **15,714** | – | **–** | – | **–** | – | **15,714** | – |
| Depreciation and amortisation for the year | **3,179** | 7,464 | **9,902** | 10,283 | **–** | 211 | **13,081** | 17,958 |

Segment revenue reported above represents revenue generated from external customers. There are no inter-segment sales in the current year (2014: Nil).

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Reportable segment total revenue and consolidated revenue | **847,726** | 864,621 |
| **Profit** | | |
| Reportable segment operating profit | **154,250** | 118,860 |
| Unallocated head office and corporate expenses | **(48,402)** | (44,479) |
| Fair value loss on embedded derivatives of unsecured debenture | **–** | (46) |
| Loss on redemption of unsecured debenture | **(1,868)** | – |
| Other revenue | **32,209** | 25,179 |
| Other net loss | **(232)** | (3,443) |
| Finance costs | **(27,252)** | (78,744) |
| Share of loss of an associate | **(8,000)** | – |
| Consolidated profit before taxation | **100,705** | 17,327 |

### (c) Information from major customers

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Third party pharmaceutical promotion and sales segment | | |
| Customer A | **246,589** | N/A |
| Customer B | **N/A** | 154,342 |
| Customer C | **N/A** | 125,586 |
| Customer D | **N/A** | 116,017 |

## 9. TRADE AND OTHER RECEIVABLES

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade debtors and bills receivable | **856,831** | 851,669 |
| Less: Allowance for doubtful debts *(note (b))* | **(620,008)** | (599,339) |
| | **236,823** | 252,330 |
| Deposits, prepayments and other receivables *(note (d))* | **69,637** | 151,294 |
| | **306,460** | 403,624 |

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 billing date of invoice, is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **198,341** | 211,563 |
| More than 3 months but within 6 months | **6,707** | 2,465 |
| More than 6 months but within 1 year | **31,775** | 20,254 |
| More than 1 year but within 2 years | **–** | 18,048 |
| More than 2 years | **–** | – |
| | **236,823** | 252,330 |

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

| | | **2015** | |
|---|---|---|---|
| | **Non-vaccine** | **Vaccine** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Not past due | **191,361** | **–** | **191,361** |
| Less than 3 months past due | **8,776** | **–** | **8,776** |
| More than 3 months but less than 6 months past due | **32,119** | **–** | **32,119** |
| More than 6 months but less than 1 year past due | **4,567** | **–** | **4,567** |
| More than 1 year but less than 2 years past due | **–** | **–** | **–** |
| | **236,823** | **–** | **236,823** |

| | | 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 |

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:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **599,339** | 620,384 |
| Impairment loss recognised during the year | | |
| – Vaccine | **–** | – |
| – Non-vaccine | **29,072** | 8,021 |
| | **29,072** | 8,021 |
| Reversal of impairment | **(8,403)** | (29,066) |
| At 31 December | **620,008** | 599,339 |
| Analysis of allowance for impairment of trade debtors at 31 December | | |
| – Vaccine | **568,703** | 577,106 |
| – Non-vaccine | **51,305** | 22,233 |
| | **620,008** | 599,339 |

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 2015, 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 2015, 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 2015, the Group recorded impairment provision of RMB568,703,000 (2014: RMB577,106,000) 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 2014, and a reversal of impairment of RMB8,403,000 (2014: RMB25,050,000 was credited to the consolidated income statement for the year ended 31 December 2015. In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB51,305,000 (2014: RMB22,233,000) was recognised against the gross receivable balance of RMB288,128,000 (2014: RMB274,563,000) as at 31 December 2015 and no reversal of impairment of non-vaccine trade receivables for the year ended 31 December 2015 (2014: reversal of impairment of RMB4,016,000).

As at 31 December 2015, the Group's trade debtors and bill receivables of RMB620,008,000 (2014: RMB599,339,000) 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 RMB29,072,000 (2014: RMB8,021,000) was recognised and charged to the consolidated income statement for the year ended 31 December 2015.

**(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:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **191,361** | 96,924 |
| Less than 3 months past due | **6,406** | 99,657 |
| More than 3 months but less than 6 months past due | **5,211** | 6,570 |
| More than 6 months past due | **6,481** | 27,604 |
| | **18,098** | 133,831 |
| | **209,459** | 230,755 |

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 RMB18,098,000 (2014: RMB133,831,000) 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**

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| VAT recoverable | **46,916** | 55,051 |
| Other receivables | **15,852** | 48,464 |
| Advances paid to suppliers | **5,066** | 44,482 |
| Rental and other deposits | **1,803** | 3,297 |
| | **69,637** | 151,294 |

## 10. TRADE AND OTHER PAYABLES

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade creditors | **15,338** | 66,737 |
| Bills payable *(note (a))* | **7,840** | 408,080 |
| Total trade creditors and bills payable *(note (b))* | **23,178** | 474,817 |
| Receipts in advance from customers | **9,859** | 16,437 |
| Accrued promotion expenses | **61,318** | 51,999 |
| Accrued staff costs | **9,677** | 4,904 |
| Consideration payable *(note 14)* | **35,285** | – |
| Other payables and accruals | **76,379** | 22,244 |
| | **215,696** | 570,401 |

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 2015, no bills payable were secured by the bank deposits (2014: RMB177,952,000).

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **18,031** | 63,600 |
| More than 3 months but within 6 months | **3,592** | 403,366 |
| More than 6 months but within 1 year | **135** | 469 |
| More than 1 year | **1,420** | 7,382 |
| | **23,178** | 474,817 |

## 11. BANK LOANS

As at 31 December 2015, the bank loans comprised:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank loans-repayable within 1 year or on demand | | |
| – Secured | **141,170** | 200,261 |
| – Unsecured | **–** | – |
| | **141,170** | 200,261 |

As at 31 December 2015, the Group had banking facilities of RMB310,000,000 (2014: RMB229,328,000), which were utilised to the extent of RMB141,170,000 (2014: RMB200,261,000). The banking facilities were secured by certain assets of the Group as set out below:

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Fixed assets | **24,035** | 24,011 |
| Pledged bank deposits | **23,389** | 210,952 |
| | **47,424** | 234,963 |

As at 31 December 2015, certain banking facilities of the Group amounting to RMBNil (2014: RMB300,000,000) were guaranteed by a company controlled by a municipal government in the PRC. As at 31 December 2015, 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 carried a fixed annual interest rate of 7.5%. The debenture was fully repaid on 26 April 2015.

(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 fully 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 | Liability component at amortised cost basis | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2014 | 3,264 | 316,309 | 319,573 |
| Proceeds received | – | (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 |
| At 1 January 2015 | **3,310** | **320,671** | **323,981** |
| Repayment of interest | **–** | **(28,500)** | **(28,500)** |
| Interest charged to profit or loss | **–** | **2,651** | **2,651** |
| Loss on redemption | **–** | **1,868** | **1,868** |
| Redemption | **(3,310)** | **(296,690)** | **(300,000)** |
| At 31 December 2015 | **–** | **–** | **–** |

(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 of every year.

## 13. DIVIDEND

A dividend of HK$0.01 per ordinary share after the end of the reporting period is proposed (2014: Nil). The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 14. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 8 August 2015, the Group entered into two agreements with independent third parties from whom the Group shall acquire 65% and 35% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd ("Kexing") at the consideration of RMB17,741,000 and RMB45,000,000, respectively. Pursuant to the two agreements, the Group shall also settle liabilities of Kexing of RMB45,796,000, which included a shareholder loan of RMB32,259,000 payable to one of the vendors and a debt of RMB13,537,000 payable to a bank. Kexing's main asset is the patent to a new drugs called "松栀丸" The purpose of acquisition of Kexing is to enrich the Group's proprietary drug portfolio.

On 16 October 2015, the transfer of 65% equity interest in Kexing to the Group was completed and the Group settled the related consideration of RMB17,741,000. During the year, the Group had settled the specified liabilities of Kexing amounted to RMB45,796,000 stipulated under the agreements. At 31 December 2015, the transfer of 35% equity interest in Kexing was not yet completed. Subsequent to 31 December 2015 and on 6 January 2016, a further 17% equity interest in Kexing was transferred to the Group by a vendor to which the Group made a partial payment of RMB9,714,000 in September 2015. The acquisition had been accounted for as a purchase of assets as the acquisition does not meet the definition of a business combination. Kexing has not yet commenced commercial production at the date of acquisition and at 31 December 2015.

The assets acquired and liabilities assumed at the date of acquisition were as follows:

| | *RMB'000* |
|---|---|
| Net assets acquired | |
| Property, plant and equipment | 10,703 |
| Land use rights | 5,974 |
| Intangible asset | 92,883 |
| Amount due to a shareholder, specified under one of the agreements | (32,259) |
| Debt payable to a bank, specified debt under one of the agreements | (13,537) |
| Other payables | (1,024) |
| | 62,740 |
| Total consideration: | |
| Cash paid during the year | 27,455 |
| Consideration payable to non-controlling interests at 31 December 2015 | 35,285 |
| | 62,740 |

| | *RMB'000* |
|---|---|
| Analysis of net cash outflows for acquisition of a subsidiary during the year ended 31 December 2015 | |
| Cash paid to vendors | 27,455 |
| Settlement of Kexing's liabilities | |
| Amount due to a shareholder of Kexing | 32,259 |
| Debt payable to a bank | 13,537 |
| | 73,251 |

## 15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors recommended a dividend. Further details are disclosed in note 13.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

NT Pharma has an extensive promotion network in China, covering over nearly 10,000 hospitals. The Group conducts its production through three of its subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First") Jiangsu NT Biopharma Co., Ltd. ("Jiangsu Biopharma") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("Changsha Pharma"). Suzhou First has been certified by the new GMP, and has obtained approvals from the SFDA for 131 drug registration licences. Jiangsu Biopharma mainly produces anti-tumour drugs and Changsha Pharma mainly produces Chinese medicine for treatment of liver diseases, the production lines of the two companies are expected to be put into production in 2016. During 2015, 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 2015 slightly decreased by RMB16.9 million or 2.0% to RMB847.7 million, as compared with RMB864.6 million for the previous year. Operating profit for the year ended 31 December 2015 improved significantly, amounting to RMB136.0 million, as compared with an operating profit of RMB96.1 million for the previous year.

The improvement in operating results during the year ended 31 December 2015 was mainly due to increase of contribution from higher-margin products, such as Libod and Shusi, lower selling and distribution expenses and significantly lower finance costs incurred. As a result of the improved operating results, the Group reported a net profit of RMB87.7 million for the year ended 31 December 2015, as compared with a net profit of RMB2.1 million for the previous year.

## BUSINESS REVIEW

### Production Bases

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

*Production Base of Chemical Drugs*

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

*Production Base of Bio-chemical Drugs*

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

*Production Base of Chinese Medicine*

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

## Core Products

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

*Xi Di Ke*

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

*Songzhi Wan*

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

*Shusi*

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

*Libod*

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

## OPERATING RESULTS

*Sales*

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

During the year ended 31 December 2015, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB76.0 million or 10.8% to RMB630.4 million, as compared with RMB706.4 million for the previous year. The decrease in overall revenue of this segment was mainly attributable to the Group ended the business of Fortum distribution completely in 1 July 2015. However, Libod, an oncology drug manufactured by FDZH, the revenue from which increased by RMB279.2 million or 106.3% to RMB542.0 million, as compared with RMB262.8 million for the previous year which offset the negative impact of the decrease in the income of this segment. The strong growth in sales of Libod was partly due to the fact that Libod has steadily built up a demonstrable track record of safety and effectiveness in treating multiple types of cancer, in particular breast tumour and lymphoma, and partly due to NT Pharma's increased dedication and allocation of resources to its oncology business.

The proprietary products of the Group are produced by Suzhou First, which comprise Shusi, an atypical antipsychotic drug, Zhuo'ao, a widely used respiratory drug Ambroxol Hydrochloride, and a wide range of other drugs. The total revenue from the proprietary product production and sales segment increased by RMB59.9 million or 38.1% to RMB217.3 million for the year ended 31 December 2015, as compared with RMB157.4 million for the previous year. Of the total segment revenue, the revenue of Shusi increased by RMB62.8 million or 81.9% to RMB139.4 million, as compared with RMB76.6 million for the previous year. The increase in the sales of Shusi was due to more favourable market environment as well as improved management of inventory in the distribution channels. Revenue from Zhuo'ao increased by RMB2.5 million or 5.0% to RMB52.5 million, as compared to RMB50.0 million for the previous year.

Third-party vaccines and other pharmaceuticals business segment include 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 the Group terminated its vaccine sales and marketing activities at the end of 2014, no revenue was generated from third-party vaccines and other pharmaceuticals in 2015.

*R&D*

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

## PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favourable factors, including the size of an increasing ageing population, the Chinese government's commitment to improving access to healthcare services and better affordability from rising disposable income. With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its new strategy of focusing on the manufacturing, sales and distribution of high margin pharmaceutical products, in particular proprietary products, in order to achieve its objective of transforming from being a distributor of predominantly third-party products to becoming a fully-fledged pharmaceutical company. The Group believes that the existing specialized therapeutic areas of oncology and CNS will deliver sustainable growth in the long-run and will continue to actively identify opportunities to acquire new proprietary products to enrich its existing and future product portfolio.

We have been in the field of medical and health-care industry for over 20 years, and have built our Company into China's biggest vaccine distributor and the second largest brand promotion service provider in China. In the future, our people in NT Pharma will strive to create more value for our customers, shareholders and patients, and write a new chapter for the Company by adhering to the professional ideology and relying on our strong marketing network.

## HUMAN RESOURCES

As at 31 December 2015, the Group had 410 full-time employees (2014: 497 employees). For the year ended 31 December 2015, the Group's total cost on remuneration, welfare and social security amounted to RMB66.1 million (2014: RMB90.7 million).

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

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

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

## FINANCIAL REVIEW

### Revenue

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2015 Sales volume** | **2015 Unit price** | **2015 Sales amount** | **2015 Proportion** | 2014 Sales volume | 2014 Unit price | 2014 Sales amount | 2014 Proportion |
| | ***'000*** | ***RMB*** | ***RMB'000*** | ***(%)*** | *'000* | *RMB* | *RMB'000* | *(%)* |
| **Third-party pharmaceutical promotion and sales** | | | | | | | | |
| Libod | **84** | **6,470.3** | **542,045** | **63.9%** | 61 | 4,283.5 | 262,803 | 30.4% |
| Fortum | **1,751** | **41.4** | **72,386** | **8.5%** | 5,860 | 52.6 | 308,205 | 35.6% |
| Other | **910** | **17.6** | **15,992** | **1.9%** | 2,752 | 49.2 | 135,417 | 15.7% |
| Subtotal | **2,745** | **229.6** | **630,423** | **74.4%** | 8,673 | 81.4 | 706,425 | 81.7% |
| **Proprietary products production and sales** | | | | | | | | |
| Shusi | **6,292** | **22.2** | **139,403** | **16.4%** | 4,065 | 18.9 | 76,633 | 8.9% |
| Zhuo'ao | **37,672** | **1.4** | **52,497** | **6.2%** | 35,129 | 1.4 | 49,987 | 5.8% |
| Other | **24,362** | **1.0** | **25,403** | **3.0%** | 19,125 | 1.6 | 30,784 | 3.5% |
| Subtotal | **68,326** | **3.2** | **217,303** | **25.6%** | 58,319 | 2.7 | 157,404 | 18.2% |
| **Third-party vaccines and other pharmaceuticals** | **–** | **–** | **–** | **–** | 31 | 25.4 | 792 | 0.1% |
| **Total** | **71,071** | **11.9** | **847,726** | **100.0%** | 67,023 | 12.9 | 864,621 | 100.0% |

Revenue from third-party pharmaceutical promotion and sales decreased by RMB76.0 million or 10.8% to RMB630.4 million, accounting for 74.4% of total revenue in 2015, as compared with RMB706.4 million or 81.7% of the Group's total revenue in 2014. The decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to a decrease in sales of Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"). The Group ceased to be the promotor and distributor of Fortum since 1 July 2015.

On the other hand, the revenue of Libod, an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH"), increased by RMB279.2 million or 106.3% to RMB542.0 million, accounting for 86.0% of the segment's total sales for the year ended 31 December 2015, as compared with RMB262.8 million or 37.2% of the segment's total sales for the corresponding period in 2015. The increase in revenue of Libod was primarily due to an increase of 23,000 units or 36.5% in sales volume for the year ended 31 December 2015 from 64,400 units for the corresponding period in 2014 which was partially offset by a decrease of RMB423.2 or 9.9% in the average commercial selling price per unit to RMB3,860.3 for the year ended 31 December 2015 from RMB4,283.5 for the corresponding period in 2014. In addition, included in the revenue of Libod in 2015 is a service income of RMB218.7 million, or RMB2,610.0 per unit sold, recognised under a new contract between FDZH and a subsidiary of the Company. The service income was paid by FDZH to this subsidiary for the promotion of Libod. Given the prevalence of cancer in China, the Group believes that Libod will continue to demonstrate robust growth in sales.

Revenue from proprietary products production and sales increased by RMB59.9 million or 38.1% to RMB217.3 million, accounting for 25.6% of total revenue in 2015, as compared with RMB157.4 million or 18.2% of the Group's total revenue in 2014. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi. The increase in revenue of Shusi was primarily due to more favourable market environment as well as improved management of inventory in the distribution channels which resulted in an increase of 2,227,000 units or 54.8% in sales volume for the year ended 31 December 2015 from 4,064,500 units for the corresponding period in 2014 and an increase of RMB3.3 or 17.5% in the average commercial selling price per unit to RMB22.2 for the year ended 31 December 2015 from RMB18.9 for the corresponding period in 2014.

**Cost of Sales**

For the year ended 31 December 2015, cost of sales decreased by RMB77.1 million or 16.3% to RMB396.2 million, as compared to RMB473.3 million for the year ended 31 December 2014. The decrease in the cost of sales during the year was mainly due to the decrease in sales of Fortum.

**Gross Profit**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2015 Gross Profit** | 2015 Gross Profit Margin | **2014 Gross Profit** | 2014 Gross Profit Margin |
| | ***RMB'000*** | *(%)* | ***RMB'000*** | *(%)* |
| **Third-party pharmaceutical promotion and sales** | | | | |
| Libod | **317,743** | 58.6% | **192,994** | 73.4% |
| Fortum | **7,617** | 10.5% | **91,424** | 29.7% |
| Other | **(5,704)** | (35.7)% | **32,427** | 23.9% |
| Subtotal | **319,656** | 50.7% | **316,845** | 44.9% |
| **Proprietary products production and sales** | | | | |
| Shusi | **104,979** | 75.3% | **51,893** | 67.7% |
| Zhuo'ao | **28,702** | 54.7% | **27,456** | 54.9% |
| Other | **(1,830)** | (7.2)% | **(2,955)** | (9.6)% |
| Subtotal | **131,851** | 60.7% | **76,394** | 48.5% |
| **Third-party vaccines and other pharmaceuticals** | **–** | N/A | **(1,898)** | (239.6)% |
| Total | **451,507** | 53.3% | **391,341** | 45.3% |

Gross profit increased by RMB60.2 million or 15.4% to RMB451.5 million in 2015, as compared to RMB391.3 million in 2014. Gross profit margin increased by 8.0 percentage points to 53.3% for the year ended 31 December 2015 as compared to 45.3% for the corresponding period in 2014.

The increase was mainly due to increased contribution of higher-margin products, such as Libod and Shusi, to the overall revenue of the Group.

## Reportable Segment Operating Profit

The Group has commenced in 2015 an exercise to revamp its sales force in higher-margin products, such as Libol and Shusi while the operating expenses of the segment increased by RMB23.8 million or 8.7% to RMB297.3 million for the year ended 31 December 2015, as compared with RMB272.5 million for the corresponding period in 2014. Despite reporting a lower revenue, the segment reported an operating profit of RMB154.3 million for the year ended 31 December 2015, as compared with RMB118.9 million for the corresponding period in 2014. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the year ended 31 December 2015:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015 Operating Profit** *RMB'000* | **2015 Operating profit margin** *(%)* | 2014 Operating Profit *RMB'000* | 2014 Operating profit margin *(%)* |
| Third-party pharmaceutical promotion and sales | **81,114** | **12.9%** | 65,786 | 9.3% |
| Proprietary products production and sales | **71,001** | **32.7%** | 35,202 | 22.4% |
| Third-party vaccines and other pharmaceuticals | **2,135** | **N/A** | 17,872 | N/A |
| **Total** | **154,250** | **18.2%** | 118,860 | 13.7% |

### Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB51.4 million or 65.3% to RMB27.3 million for the year ended 31 December 2015, as compared to RMB78.7 million for the year ended 31 December 2014. The significantly decrease in finance costs was mainly due to the repayment of a substantial amount of our debts as our cash reserve was supplemented with the proceeds from the two rounds of placing of shares during the year.

### Taxation

Income tax expense was RMB13.0 million for the year ended 31 December 2015 as compared to an income tax expense of RMB15.2 million for the year ended 31 December 2014.

### Profit/Core Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB87.7 million as compared to a net profit of RMB2.1 million for the year ended 31 December 2014. Core profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB103.4 million as compared to a core profit of RMB6.0 million for the year ended 31 December 2014, which was mainly attributable to the improvement on our gross profit margin, reduction in operating expenses and decrease in finance costs.

### Earnings per Share

The calculation of basic earnings and basic core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2015.

The calculation of diluted earnings and diluted core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2015 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

| | **At 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| Profit attributable to equity shareholders of the Company *(RMB'000)* | **87,694** | 2,087 |
| Plus: equity-settled share option expenses *(RMB'000)* | **7,441** | 470 |
| Plus: share of loss of an associate *(RMB'000)* | **8,000** | – |
| Plus: net exchange loss *(RMB'000)* | **–** | 3,189 |
| Plus: net loss on disposal of property, plant and equipment *(RMB'000)* | **232** | 254 |
| Core profit attributable to equity shareholders of the Company *(RMB'000)* | **103,367** | 6,000 |
| Weighted average number of ordinary shares in issue *('000)* | **1,416,549** | 1,081,957 |
| Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options *('000)* | **1,427,663** | 1,081,957 |
| Basic earnings per share *(RMB cent per share)* | **6.19** | 0.19 |
| Diluted earnings per share *(RMB cent per share)* | **6.14** | 0.19 |
| Basic core earnings per share *(RMB cent per share)* | **7.30** | 0.55 |
| Diluted core earnings per share *(RMB cent per share)* | **7.24** | 0.55 |

As the share options outstanding during the year ended 31 December 2014 had no dilutive effect on the basic earnings per share, diluted earnings per share was the same as basic earnings per share. The core profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company excluding equity-settled share option expenses, share of loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment.

### Capital Expenditure

Total capital expenditure decreased by RMB1.1 million or 1.0% to RMB116.2 million for the year ended 31 December 2015, as compared to RMB117.3 million for the year ended 31 December 2014. The capital expenditure was mainly used for acquiring the leasehold land, fixed assets and intangible assets of the Group's new factory in Changsha.

## 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 proper product pricing and securing access to financing at a reasonable cost. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

### Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. During the year ended 31 December 2015, the Group did not record any net exchange loss, as compared to a net exchange loss of RMB3.2 million for the year ended 31 December 2014. 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 | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Total debt | **(261,170)** | (664,242) |
| Pledged bank deposits, cash and cash equivalents | **351,384** | 557,014 |
| Net cash/(debt) | **90,214** | (107,228) |

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

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Repayable: | | |
| Within 1 year or on demand | **261,170** | 544,242 |
| After more than 1 year | **–** | 120,000 |
| | **261,170** | 664,242 |

The Group's bank borrowings of RMB261.2 million as at 31 December 2015 (2014: RMB664.2 million) were bank borrowing of RMB11.2 million (2014: RMB11.3 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of RMB130.0 million (2014: 190.0 million) at fixed interest rate ranging from 5.2% to 6.4% per annum.

In May 2014, the Group's PRC subsidiary, Suzhou First issued a RMB120,000,000 non-publicly traded bonds to a qualified institutional investor. The coupon interest rate of the bond is 8.5% per annum. The bond has a maturity period of two years from the date of the bond issued and will be due in May 2016.

**Debt-to-Assets Ratio**

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

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Total debt | **261,170** | 664,242 |
| Total assets | **1,398,313** | 1,485,432 |
| Debt-to-assets ratio | **18.7%** | 44.7% |

**Charges on the Group's Assets**

As at 31 December 2015, bank deposits of the Group of RMB23.4 million (31 December 2014: RMB211.0 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB149.0 million (31 December 2014: RMB597.1 million). As at 31 December 2015, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB24.0 million (31 December 2014: RMB24.0 million).

**Capital Commitments**

(a) The following table sets forth our capital commitments provided for but not settled as at 31 December 2015:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Contracted for | | |
| – property, plant and equipment | **198** | 27,944 |
| – investment in a joint venture | **–** | 7,500 |
| | **198** | 35,444 |

(b) At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **5,525** | 6,549 |
| After 1 year but within 5 years | **3,376** | 3,336 |
| | **8,901** | 9,885 |

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 2015.

**Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

On 5 August 2015, the Group entered into equity transfer agreements with the vendors, pursuant to which the vendors agreed to sell and the Group agreed to purchase in aggregate 100% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd ("Kexing"), being 65%, 18% and 17% equity interest held by Shenzhen Kexing Biotech Co., Ltd., Meng Yonghong and Hunan Province Jimeng Chinese Herbal Medicine Institute of Liver Diseases Co., Ltd., respectively, for the consideration of approximately RMB95,000,000 which included repayment of the shareholder loan to one of its shareholders of RMB32,259,000. Pursuant to the settlement agreement, the Group is obliged to repay an amount of approximately RMB13,536,000 to a creditor. Such amount represents the principal amount, interest expenses and other related expenses of a loan under a charge agreement entered into between Kexing and the creditor.

On 16 October 2015 and up to 31 December 2015, the Group completed the acquisition of 65% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd. The acquisition had been accounted for as purchase of assets through acquisition of a subsidiary as the acquisition did not meet the definition of a business combination.

### 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 2015.

### Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the placing of 216,391,300 new shares of the Company, which was completed on 13 January 2015, and the placing of 179,650,000 new shares of the Company and the subscription of 80,000,000 new shares of the Company, which were completed on 7 July 2015, 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 2015.

## 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 2015 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 three Executive Directors, one 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.

## 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 2015.

## DIVIDEND

The Directors recommend the payment of a final dividend of HK1 cent per share, representing a total dividend distribution of approximately HK$15.58 million (2014: nil). The final dividend will be payable on 15 June 2016. The proposed dividend is not reflected as dividends payable in the financial statements for the year ended 31 December 2015, but will be reflected as appropriations of retained profits for the year ending 31 December 2016. The register of members of the Company will be closed from 2 June 2016 to 3 June 2016, both days inclusive. To qualify for the final dividend, transfers should be lodged with the Company's branch registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 June 2016.

## 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 2015 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 2015 annual report containing all information about the Company set out in this announcement including the financial results for the year ended 31 December 2015 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, 23 March 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Ng Tit, Ms. Chin Yu and Mr. Wu Weizhong; the non-executive director of the Company is Dr. Qian Wei; and the independent non-executive directors of the Company are Mr. Yue Nien Martin Tang, Mr. Patrick Sun and Dr. Lap-Chee Tsui.*