中国泰凌医药集团
CHINA NT PHARMA GROUP

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

Benefited from sales contribution from newly-acquired product, Miacalcic and expansion of its proprietary product portfolio, both revenue and net profit of the Group recorded new highs after its transformation.

The overall revenue of the Group for the year ended 31 December 2016 increased by RMB67.4 million or 7.9% to RMB915.1 million, as compared with RMB847.7 million for the previous year.

Operating profit for the year ended 31 December 2016 improved significantly, amounting to RMB185.7 million, as compared with an operating profit of RMB136.0 million for the previous year. The improvement in operating result was mainly due to (i) increase of contribution from higher margin products, such as Miacalcic and Shusi; and (ii) lower selling and distribution expenses.

As a result of the improved operating result, the Group reported a net profit of RMB116.2 million for the year ended 31 December 2016, as compared with a net profit of RMB87.7 million for the previous year, representing a significant increase of 32.5% year on year.

Basic earnings per share was RMB7.46 cents for the year ended 31 December 2016, as compared to basic earnings per share of RMB6.19 cents for the year ended 31 December 2015.

Due to the satisfactory results, the Board recommended a final dividend of HK2.5 cents per share for the year ended 31 December 2016, representing an increase of 150% as compared with the final dividend of HK1.0 cent per share for the corresponding period last year.

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 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**915,119**	847,726
Cost of sales		**(421,490)**	(396,219)
Gross profit		**493,629**	451,507
Other revenue	*4*	**10,061**	32,209
Other net loss	*5(c)*	**(13,018)**	(232)
Impairment of trade receivables	*9(b)*	**(20,222)**	(29,072)
Reversal of impairment of trade receivables	*9(b)*	**27,273**	8,403
Impairment of other receivables		**(541)**	(20,828)
Reversal of impairment of other receivables		**–**	15,714
Loss on redemption of unsecured debenture		**–**	(1,868)
Selling and distribution expenses		**(201,447)**	(228,899)
Administrative expenses		**(110,069)**	(90,977)
Profit from operations		**185,666**	135,957
Finance costs	*5(a)*	**(29,032)**	(27,252)
Share of loss of an associate		**(31)**	(8,000)
Profit before taxation	*5*	**156,603**	100,705
Income tax expense	*6*	**(40,843)**	(13,011)
Profit for the year		**115,760**	87,694
Attributable to:			
Equity holders of the Company		**116,181**	87,694
Non-controlling interests		**(421)**	–
Profit for the year		**115,760**	87,694
Earnings per share			
Basic	*7*	**7.46 cents**	6.19 cents
Diluted	*7*	**7.42 cents**	6.14 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**115,760**	87,694
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Revaluation surplus on transfer of owner-occupied property to investment property	**18,032**	–
Item 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")	**18,365**	2,665
Total comprehensive income for the year	**152,157**	90,359
Attributable to:		
Equity holders of the Company	**152,578**	90,359
Non-controlling interests	**(421)**	–
Total comprehensive income for the year	**152,157**	90,359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Intangible assets		**1,156,700**	133,425
Goodwill		**–**	–
Property, plant and equipment		**266,625**	300,501
Interests in leasehold land held for own use under operating leases		**42,975**	43,964
Investment property		**42,131**	–
Interest in an associate, net		**11,969**	–
Deferred tax assets		**57,745**	87,745
		1,578,145	565,635
Current assets			
Inventories		**167,062**	174,834
Trade and other receivables	*9*	**594,908**	306,460
Pledged bank deposits		**133,000**	23,389
Cash at banks and in hand		**89,624**	327,995
		984,594	832,678
Current liabilities			
Trade and other payables	*10*	**449,027**	215,696
Bank and other borrowings	*11*	**892,449**	141,170
Unsecured debentures	*13*	**–**	120,000
Current taxation		**26,103**	18,724
		1,367,579	495,590
Net current (liabilities)/assets		**(382,985)**	337,088
Total assets		**2,562,739**	1,398,313

	Note	2016 RMB'000	2015 RMB'000
Total assets less current liabilities		**1,195,160**	902,723
Non-current liabilities			
Considerations payable	*12*	**156,138**	–
Deferred tax liabilities		**–**	–
		156,138	–
NET ASSETS		**1,039,022**	902,723
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**1,027,082**	890,362
Total equity attributable to equity holders of the Company		**1,027,083**	890,363
Non-controlling interests		**11,939**	12,360
TOTAL EQUITY		**1,039,022**	902,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Company was incorporated in the Cayman Islands on 1 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 23 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products and the provision of marketing and promotion services to suppliers in the People's Republic of China ("PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in the PRC where the majority of the entities within the Group operate (i.e. the Group's functional currency).

Going Concern basis

At 31 December 2016, the Group's current liabilities exceeded current assets by approximately RMB382,985,000 which included, as disclosed in note 11 below, approximately RMB394,853,000 in respect of the non-current portions of long-term borrowings that contained a demand clause for immediate repayment at the discretion of the banks under the underlying loan agreements. During the year ended 31 December 2016 and up to the date of approval for the consolidated financial statements, there are no breaches on any of covenants of the relevant loan agreements. Notwithstanding the demand clause for immediate repayment in the bank loan agreements, the Company considered that the banks will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, may not be able to realize its assets and discharge its liabilities in the normal course of business in the next twelve months after the date of approval for the consolidated financial statements.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB149 million, (b) new bank loans of approximately RMB20 million subsequently obtained from banks up to the date of approval for the consolidated financial statements, (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions, and (d) continuing financial support from a substantial shareholder of the Company who has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covered not less than twelve months from date of approvals for the consolidated financial statements. Based on the forecast which has taken into account of the Group's available credit facilities and the above measures taken to date, management of the Company is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared for the year 31 December 2016 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have been made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

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. Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

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.

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

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

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**638,343**	625,266
Service income	**230,949**	222,460
Sub-licensing fee income *(note 15)*	**45,827**	–
	915,119	847,726

Sales of pharmaceutical products are derived from selling pharmaceutical 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

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**4,061**	5,683
Government grant and subsidy income	**2,731**	26,512
Interest income on held-to-maturity investment	**–**	14
Sundry income	**3,269**	–
	10,061	32,209

Government grant and subsidy income were received from the local government authorities in the PRC. There are no conditions attached to the grant and subsidies received by the Group.

5. PROFIT BEFORE TAXATION

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

		2016	2015
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest on bank and other borrowings	**23,467**	14,277
	Interest on unsecured debentures	**4,269**	13,714
	Bank charges	**1,296**	635
	Total finance costs	**29,032**	28,626
	Less: Amount capitalised in the cost of qualifying assets	**–**	(1,374)
		29,032	27,252

During the last year ended 2015, the borrowing costs had been capitalised at a rate of 8.5% per annum.

		2016	2015
		RMB'000	*RMB'000*
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**8,520**	8,245
	Salaries, wages and other benefits	**53,460**	50,408
	Equity-settled share-based payment expenses	**2,625**	7,441
		64,605	66,094

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 15% to 21% (2015: 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% (2015: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: 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.

		2016	2015
		RMB'000	*RMB'000*
(c)	**Other net loss**		
	Net loss on disposal of property, plant and equipment	**1,404**	232
	Loss on disposal of intangible assets	**7,493**	–
	Loss on disposal of a subsidiary	**3,504**	–
	Net exchange loss	**617**	–
		13,018	232

		2016	2015
		RMB'000	*RMB'000*
(d)	**Other items**		
	Depreciation of property, plant and equipment	**17,204**	13,555
	Amortisation of lease prepayments	**477**	323
	Amortisation of intangible assets	**259**	2,050
	Impairment loss of trade receivables	**20,222**	29,072
	Reversal of impairment of trade receivables	**(27,273)**	(8,403)
	Impairment loss of other receivables	**541**	20,828
	Reversal of impairment of other receivables	**–**	(15,714)
	Loss on redemption of unsecured debenture	**–**	1,868
	Loss on disposal of property, plant and equipment	**1,404**	–
	Loss on disposal of intangible assets	**7,493**	–
	Auditors' remuneration:		
	– audit services	**1,643**	1,369
	– under provision in prior year	**69**	20
	– non-audit services	**246**	–
	Operating lease charges in respect of properties	**7,890**	11,830

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2016	2015
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**10,430**	5,035
Under provision in respect of prior years	**413**	254
	10,843	5,289
Deferred tax		
Origination and reversal of temporary differences *(note)*	**30,000**	7,722
Income tax expense	**40,843**	13,011

Note: The effects of the reversal of the temporary differences for deferred tax assets of approximately RMB30,000,000 (2015:RMB8,338,000) arose mainly from internal restructuring of the business of relevant subsidiaries within the Group which contributed to a decrease in expected future taxable profits of these subsidiaries within the Group against which, the deductible temporary differences, which were previously recognised as deferred tax assets in respect of the provision for impairment of trade receivables, will be utilised in the future.

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 2016 of RMB116,181,000 (2015: earnings of RMB87,694,000) and the weighted average number of ordinary shares of the Company in issue during the year.

Weighted average number of ordinary shares (basic)

	2016	2015
	Number of individuals	Number of individuals
	'000	*'000*
Issued ordinary shares at 1 January	**1,557,998**	1,081,957
Effect of issue of shares under placing	**–**	334,592
Effect of share options exercised	**60**	–
At 31 December	**1,558,058**	1,416,549

(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.

	2016	2015
	Number of individuals	Number of individuals
	'000	*'000*
Weighted average number of ordinary shares as at 31 December	**1,558,058**	1,416,549
Effect of deemed issue of ordinary shares under the Company's share options granted	**8,488**	11,114
At 31 December	**1,566,546**	1,427,663

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:

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

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

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

In 2015, the third-party vaccine and other pharmaceuticals segment had been ceased and discontinued. This segment had insignificant contribution to the revenue, results, assets and liabilities of the Group in 2015.

(a) Segment results, assets and liabilities

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Proprietary products production and sales		**Miacalcic**		**Third-party pharmaceutical promotion and sales**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**305,637**	217,303	**45,827**	–	**563,655**	630,423	**915,119**	847,726
Reportable segment gross profit	**208,574**	131,851	**45,827**	–	**239,228**	319,656	**493,629**	451,507
						Note (a)		
Reportable segment results	**60,485**	71,001	**45,365**	–	**119,031**	83,249	**224,881**	154,250
Other Revenue:								
– Government grant and subsidy income	**–**	–	**–**	–	**2,731**	–	**2,731**	–
– Sundry income, net	**2,188**	–	**–**	–	**1,081**	–	**3,269**	–
Other net loss:								
– Loss on disposal of a subsidiary	**–**	–	**–**	–	**(3,504)**	–	**(3,504)**	–
– Net loss on disposal of property, plant and equipment	**(1,388)**	–	**–**	–	**(16)**	–	**(1,404)**	–
– Loss on disposal of intangible assets	**–**	–	**–**	–	**(7,493)**	–	**(7,493)**	–
Depreciation and amortisation	**(13,106)**	(9,902)	**–**	–	**(2,562)**	(3,179)	**(15,668)**	(13,081)
Impairment loss of trade receivables	**–**	(22,173)	**–**	–	**(20,222)**	(6,899)	**(20,222)**	(29,072)
Reversal of impairment of trade receivables	**3,420**	–	**–**	–	**23,853**	8,403	**27,273**	8,403
Impairment loss of other receivables	**–**	–	**–**	–	**(541)**	(20,828)	**(541)**	(20,828)
Reversal of impairment of other receivables	**–**	–	**–**	–	**–**	15,714	**–**	15,714
Reportable segment assets	**648,042**	592,416	**1,056,700**	–	**781,758**	587,035	**2,486,500**	1,179,451
Additions to non-current segment assets during the year	**9,073**	149,847	**1,030,648**	–	**12,453**	1,466	**1,052,174**	151,313
Reportable segment liabilities	**263,283**	249,935	**821,252**	–	**425,187**	224,956	**1,509,722**	474,891
Reportable segment capital commitments	**474**	198	**450,905**	–	**28,000**	–	**479,379**	198

Note (a) The result of third-party vaccine and other pharmaceuticals of NIL (2015: RMB2,135,000) was included in the reportable segment result of third-party pharmaceutical promotion and sales.

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**915,119**	847,726
Profit		
Reportable segment operating profit	**224,881**	154,250
Unallocated head office and corporate expenses	**(42,659)**	(48,402)
Loss on redemption of unsecured debenture	**–**	(1,868)
Other revenue - unallocated	**4,061**	32,209
Other net loss - unallocated	**(617)**	(232)
Finance costs	**(29,032)**	(27,252)
Share of loss of an associate	**(31)**	(8,000)
Consolidated profit before taxation	**156,603**	100,705
Assets		
Reportable segment assets	**2,486,500**	1,179,451
Unallocated head office and corporate assets	**76,239**	218,862
Consolidated total assets	**2,562,739**	1,398,313
Liabilities		
Reportable segment liabilities	**1,509,722**	474,891
Unallocated head office and corporate liabilities	**13,995**	20,699
Consolidated total liabilities	**1,523,717**	495,590

(c) Geographic information

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

	Revenue from external customers		**Non-current assets***	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**904,854**	847,726	**1,475,576**	453,855
Hong Kong	**–**	–	**44,824**	24,035
Other countries	**10,265**	–	**–**	–
	915,119	847,726	**1,520,400**	477,890

* Excluding deferred tax assets of RMB57,745,000 (2015: RMB87,745,000) which were related to operation in the PRC.

(d) Information from major customers

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

	2016	2015
	RMB'000	*RMB'000*
Third party pharmaceutical promotion and sales segment		
Customer A	**362,840**	N/A
Customer B	**230,953**	218,656
Customer C	**N/A**	246,589

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**1,074,489**	856,831
Less: Allowance for doubtful debts *(note (b))*	**(612,957)**	(620,008)
	461,532	236,823
Deposits, prepayments and other receivables *(note (d))*	**133,376**	69,637
	594,908	306,460

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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**285,185**	198,341
More than 3 months but within 6 months	**73,295**	6,707
More than 6 months but within 1 year	**70,219**	31,775
More than 1 year but within 2 years	**32,833**	–
More than 2 years	**–**	–
	461,532	236,823

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

	2016	2015
	RMB'000	*RMB'000*
Not past due	**198,306**	191,361
Less than 3 months past due	**159,288**	8,776
More than 3 months but less than 6 months past due	**49,844**	32,119
More than 6 months but less than 1 year past due	**47,293**	4,567
More than 1 year but less than 2 years past due	**6,801**	–
More than 2 years	**–**	–
	461,532	236,823

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

(b) Impairment of trade debtors

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**620,008**	599,339
Impairment loss recognised during the year	**20,222**	29,072
Reversal of impairment	**(27,273)**	(8,403)
At 31 December	**612,957**	620,008
Analysis of allowance for impairment of trade debtors at 31 December:		
Vaccine*	**566,332**	568,703
Non-vaccine	**46,625**	51,305
	612,957	620,008

* The business of third-party vaccine and pharmaceuticals had been discontinued in 2015 and all the related trade receivables had been fully impaired at both reporting period ends.

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 2016, 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 2016, 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 2016, the Group recorded impairment provision of RMB566,332,000 (2015: RMB568,703,000) against the gross receivables balance from customers of the vaccine business which were overdue for more than one year and brought forward from previous years, and a reversal of impairment of RMB2,371,000 (2015: RMB8,403,000) was credited to the consolidated income statement for the year ended 31 December 2016. In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB46,625,000 (2015: RMB51,305,000) was recognised against the gross receivable balance of RMB508,157,000 (2015: RMB288,128,000) as at 31 December 2016, resulting in a reversal of impairment of non-vaccine trade receivables of RMB24,902,000 (2015: Nil) for the year ended 31 December 2016.

As at 31 December 2016, the Group's trade debtors and bill receivables of RMB612,957,000 (2015: RMB620,008,000) 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 RMB20,222,000 (2015: RMB29,072,000) was recognised and charged to the consolidated income statement for the year ended 31 December 2016.

(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:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**198,306**	191,361
Less than 3 months past due	**81,489**	6,406
More than 3 months but less than 6 months past due	**49,717**	5,211
More than 6 months past due	**52,000**	6,481
	183,206	18,098
	381,512	209,459

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 RMB183,206,000 (2015: RMB18,098,000) 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

	2016	2015
	RMB'000	*RMB'000*
VAT recoverable	**60,980**	46,916
Other receivables, net of allowance for impairment loss *(note below)*	**10,118**	9,705
Prepayments	**21,636**	6,147
Prepayments for purchase of goods	**30,226**	–
Advances paid to suppliers	**5,277**	5,066
Rental and other deposits	**5,139**	1,803
	133,376	69,637

Note:

At the reporting end, allowance for impairment loss on other receivables amounted to RMB36,818,000 (2015: RMB36,277,000).

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade creditors	**24,628**	15,338
Bills payable *(note (a))*	**40,000**	7,840
Total trade creditors and bills payable *(note (b))*	**64,628**	23,178
Receipts in advance from customers	**7,914**	9,859
Accrued promotional expenses	**81,953**	61,318
Accrued staff costs	**2,191**	9,677
Considerations payable *(note 12)*	**188,156**	35,285
Other payables and accruals	**104,185**	76,379
	449,027	215,696

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 2016, bills payable of RMB40,000,000 were secured by the bank deposits of RMB20,000,000. At 31 December 2015, none of the bills payable were secured by the bank deposits.

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**56,738**	18,031
More than 3 months but within 6 months	**2,816**	3,592
More than 6 months but within 1 year	**2,011**	135
More than 1 year	**3,063**	1,420
	64,628	23,178

11. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	2016	2015
	RMB'000	*RMB'000*
Banks borrowings	**703,466**	141,170
Other borrowings	**188,983**	–
	892,449	141,170
Secured	**803,466**	141,170
Unsecured	**88,983**	–
	892,449	141,170

	2016	2015
	RMB'000	*RMB'000*
Carrying amount payable:		
– Within one year	**497,596**	130,810
– After one but within two years	**155,565**	836
– After two but within five years	**232,958**	2,685
– Over five years	**6,330**	6,839
Total borrowings	**892,449**	141,170
Less: Current loans portion of borrowings due for repayment within one year	**(497,596)**	(130,810)
Non-current portion of borrowings subject to immediate demand repayment clause	**(394,853)**	(10,360)
Non-current borrowings	**–**	–

(i) Certain of the Group's bank loan facilities are subject to the fulfillment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable immediately. The Group regularly monitors its compliance with these covenants. During the year end at 31 December 2016 and up to date of approval for consolidated financial statements, there was no breach of covenants.

(ii) As at 31 December 2016, the Group had banking and other loan facilities of RMB827,429,000 (2015: RMB310,000,000), which were utilised to the extent of RMB678,391,000 (2015: RMB141,170,000). The banking and other loan facilities were secured by certain assets of the Group as set out below:

	2016	2015
	RMB'000	*RMB'000*
Fixed assets	**89,792**	24,035
Investment property	**42,131**	–
Pledged bank deposits	**113,000**	–
	244,923	24,035

(iii) At 31 December 2016, other borrowing of RMB88,983,000 was guaranteed by two executive directors of the Company, Mr. Ng Tit and Ms Chin Yu, and corporate guarantees provided by the Company and a subsidiary.

12. CONSIDERATIONS PAYABLE

These represented the balances payable for the acquisition of the intellectual property rights and distribution rights relating to Miacalcic Injectable and Songzhi Wan.

Details of considerations payable are as follows:

	2016	2015
	RMB'000	*RMB'000*
– Miacalcic Injectable	**318,522**	–
– Songzhi Wan	**25,772**	35,285
Total considerations payable	**344,294**	35,285
Less: Portion classified under current liabilities *(note 10)*	**(188,156)**	(35,285)
Non-current portion	**156,138**	–

13. UNSECURED DEBENTURE

In May 2014, the Group's PRC subsidiary, Suzhou First Pharma issued a RMB120,000,000 non-publicly traded debenture, which was 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 carried a fixed annual interest rate of 8.5% per annum and was fully repaid on 19 May 2016.

14. DIVIDEND

A dividend of HK2.5 cents per ordinary share after the end of the reporting period is proposed (2015: HK1 cent). The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

15. ACQUISITION OF INTANGIBLE ASSETS

On 18 May 2016, NT Pharma International Company Limited, a company incorporated in Hong Kong ("NT Pharma HK"), a wholly owned subsidiary of the Company, as the purchaser, entered into (i) an asset purchase agreement (the "Asset Purchase Agreement"), (ii) a Licence Agreement ("Licence Agreement") and (iii) a Supply Agreement with Novartis AG and Novartis Pharma AG, companies organized under the laws of Switzerland (collectively "Novartis").

Pursuant to the Asset Purchase Agreement, Novartis has agreed to transfer to NT Pharma HK (a) the intellectual property rights and distribution rights for Miacalcic injectable pharmaceutical products for treatment of bone pain caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms that are approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Injectable") and (b) intellectual property rights for pharmaceutical product in the form of spray for treatment of bone pain caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Spray").

Pursuant to the Licence Agreement, Novartis has granted exclusive licences for the respective intellectual property rights and distribution rights relating to Miacalcic Injectable and Miacalcic Spray that were acquired or are to be acquired by NT Pharma HK under the Asset Purchase Agreement, in Mainland China and other designated countries for an indefinite period of time after completion date of acquisitions.

Pursuant to the Supply Agreement, Novartis shall manufacture and supply the Miacalcic Injectable and Miacalcic Spray at the supply price for Miacalcic Injectable products effective on 7 July 2016 that are based upon consolidated total production costs of Novartis. Novartis may adjust the supply price on a unit-by-unit basis in accordance with the respective actual percentage increase or decrease in the consolidated total production costs, as applicable, calculated in the ordinary course of business consistent with past practice and consistent with the calculation of the supply price in the basis agreed with Novartis, provided that (a) there will be no upward adjustment in the first two years after 7 July 2016, and (b) the after-adjustment price applicable in the third and fourth year shall not exceed the relevant agreed ceiling price applicable in that period.

The purchase of the intellectual property rights and distribution rights relating to Miacalcic Injectable and Miacalcic Spray under the Asset Purchase Agreement, Licence Agreement, and the Supply Agreement were approved by the Company's shareholders at its extra general meeting held on 7 July 2016. The purchase price for the intellectual property rights and distribution rights relating to Miacalcic Injectable under the Asset Purchase Agreement and the Licence Agreement, which include (a) the marketing authorisation and the Miacalcic import drug licence, (b) the transferred property (know-how, books and records, commercial information, marketing authorisation data and medical information (and any and all intellectual property rights in the forgoing)), (c) the transferred domain names and (d) the Third Party Agreements that are assigned by Novartis to the Group for commercialization of Miacalcic Injectable, was US$145 million (equivalent to approximately RMB980 million), after an arm's length negotiation between the Group and Novartis.

The acquisition of intellectual property rights and distribution rights relating to Miacalcic Injectable at the consideration of US$145 million was completed on 7 July 2016. The other direct costs relating to the acquisition of intellectual property rights and distribution rights relating to Miacalcic Injectable amounted to approximately RMB23.7 million were also capitalized. The directors of the Company considered that NT Pharma HK shall has an indefinite period of time to use these intellectual property rights and distribution rights relating to Miacalcic Injectable based on the terms of the Asset Purchase Agreement and Licence Agreement.

At 31 December 2016, the purchase of the intellectual property rights and distribution rights relating to Miacalcic Spray has not yet been completed under the Asset Purchase Agreement and Licence Agreement, because certain pre-conditions (such as the receipt of update relevant marketing authorisation and import drug licences in certain countries) have not yet been completed by Novartis. The consideration for the proposed purchase of the intellectual property rights and distribution rights relating to Miacalcic Spray has been capped at US$65 million (equivalent to approximately RMB439 million), under the Asset Purchase Agreement and Licence Agreement, subject to the completion of certain pre-conditions such as fulfillment date, the date of the receipt of updated relevant marketing authorisation and import drug licences which have not yet been fully fulfilled by Novartis. The capital commitment in connection with the purchase of the intellectual property rights and distribution rights relating to Miacalcic Spray has been disclosed as contracted but not provided for capital commitments as referred to in note 32 to the consolidated financial statements.

According to the Supply Agreement, during the Phase 1 Period (which means the period, on a country-by-country basis, from the acquisition completion date (i.e. 7 July 2016 for Miacalcic Injectable) until the earlier of (a) the marketing authorization date or with respect to the China Territory, date of obtaining the Import Drug Licence for Miacalcic Injectable; and (b) two years from the acquisition date (i.e. 6 July 2018 for Miacalcic Injectable) with respect to the period in which the Group (as purchaser of the intellectual property rights and distribution rights) has not built up its own sales team and/or has not yet obtained the legitimate marketing authorisation rights to distribute, sell or invoice sales for the Miacalcic Injectable products in each country of the territories as designated under the Asset Purchase Agreement and the Licence Agreement, the relevant intellectual property rights and distribution rights relating to Miacalcic Injectable are licenced back to Novartis, which in its capacity as a principal is allowed to use all these rights to sell the Miacalcic Injectable products in those countries as designated under the Asset Purchase Agreement and the Licence Agreement and in consideration of this sub-licensing arrangement for the use of these rights of Miacalcic Injectable, Novartis shall pay the Group a sub-licensing fee for its use of these intellectual property rights and distribution rights relating to Miacalcic Injectable in each country of the territories as designated under the Asset Purchase Agreement and the Licence Agreement.

During the period from 7 July 2016 to 31 December 2016, the Group earned sub-licensing fee income of RMB45,827,000 from sub-licensing these intellectual rights and distribution rights relating to Miacalcic Injectable.

16. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors recommended a dividend as further detailed in note 14 above.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

NT Pharma is a technology-based pharmaceutical company which is principally engaged in the investment, research and development ("R&D"), manufacturing and sales of pharmaceutical products in the People's Republic of China ("China" or "PRC") and over 20 countries overseas, with its products covering therapeutic areas such as oncology, orthopedics, CNS, hepatopathy and respiratory system. NT Pharma owns two new Class 1 drugs in China, one well-known international brand-name drug, and a number of generic drugs, and the Group conducts its production through three of its subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), Jiangsu NT Biopharma Co., Ltd. ("Jiangsu Biopharma") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("Changsha Pharma"). The Group also owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. The Group has an extensive promotion network in China, covering nearly 10,000 hospitals. In addition, the Group maintains long-term and in-depth strategic cooperative relationships with Sinopharm Group Co., Ltd. and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("FDZH"), and will adopt an innovative model of business cooperation with them, which will help NT Pharma grow into an innovative investment-oriented pharmaceutical company with outstanding R&D capabilities.

In 2016, 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 2016 increased by RMB67.4 million or 7.9% to RMB915.1 million, as compared with RMB847.7 million for the previous year. Operating profit for the year ended 31 December 2016 improved significantly to RMB185.7 million, as compared with an operating profit of RMB136.0 million for the previous year. The improvement in operating results during the year ended 31 December 2016 was mainly due to increase of contribution from higher-margin products, such as Miacalcic and Shusi, lower selling and distribution expenses. As a result of the improved operating results, the Group reported a net profit of RMB116.2 million for the year ended 31 December 2016, as compared with a net profit of RMB87.7 million for the previous year, representing a significant increase of 32.5% year on 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. Suzhou First has renewed its certification of Good Manufacturing Practice ("GMP") with a total of 129 Drug Registration Certificates issued by the State Food and Drug Administration ("SFDA"). The company is located in the Sino-Singaporean Suzhou Industrial Park, covering an area of 150 acres. Among the 20 types of products currently being produced and sold by Suzhou First, "Shusi" (quetiapine fumarate tablets), as its core product and a high-tech product under a famous brand recognized by Jiangsu Province, is a main resort for the therapy of CNS. Zhuo'ao (ambroxol hydrochloride for injection), another product of Suzhou First, 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, mainly for the production of anticancer drugs with the production lines granted the renewed GMP certification in early March 2017. 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 research. Xi Di Ke has been admitted into the "Major New Drugs Innovation" projects shortlist of the Ministry of Science and Technology.

Production Base of Traditional Chinese Medicine

Changsha Pharma is the Group's production base for traditional Chinese medicine, which is located in the National Bio-industry Base in Changsha, China, covering an area of 50 acres. Granted the renewed GMP certification. Its production lines commenced operation in June 2016. Changsha Pharma owns a new state-class drug known as Songzhi Wan, which is the only traditional Chinese medicine capable of curing hepatitis Type C globally. The development of Songzhi Wan was subsidized by China's "863" Programme.

Core Products

NT Pharma has 129 product registration certificates as approved by SFDA, among which, over 20 products are being sold and produced.

Miacalcic

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

Xi Di Ke

Xi Di Ke, also known as uroacitides injection, is a proprietary product of Jiangsu Biopharma. Xi Di Ke, in combination with chemotherapy, is used in the treatment of advanced breast cancer and non-small cell lung cancer. In 2015, the research project on treatment of MDS with Xi Di Ke and its industrialization was admitted into the "Major New Drugs Innovation" projects shortlist of the Ministry of Science and Technology.

Songzhi Wan

Songzhi Wan is the only traditional Chinese medicine capable of curing hepatitis Type C as approved by SFDA, the development of which was included in the Major Scientific and Technical Breakthrough Program under the "10th Five-Year Plan" and the National High Technology Research and Development Program (863 Program). During the Stage I-II-III clinical research on Songzhi Wan, we proceeded in strict accordance with the principles of evidence-based medicine, and as a result, its drug efficacy and safety have been carefully verified with modern medicine, for which it was finally approved to enter the market with a certificate of new drug. It was officially commercialized at hospitals in June 2016.

Shusi

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

Libod

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

Zhuo'ao

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

OPERATING RESULTS

Sales

The Group's business is currently composed of three operating segments, i.e. proprietary products production and sales; Miacalcic and third-party pharmaceutical promotion and sales.

The proprietary products include Songzhi Wan, Shusi, Zhuo'ao and other drugs. During the period ended 31 December 2016, total revenue from production and sales of proprietary products increased by RMB88.3 million or 40.6% to RMB305.6 million, as compared with RMB217.3 for the previous year. Songzhi Wan was launched for sale in June 2016, with revenue of RMB35.9 million for the year ended 31 December 2016, as compared with nil for the previous year. Revenue of Shusi increased by RMB66.5 million or 47.7% to RMB205.9 million, as compared with RMB139.4 million for the previous year. The increased revenue of Shusi was attributable to the increased demand and improved inventory management of distribution channels. Revenue of Zhuo'ao decreased by RMB15.4 million or 29.3% to RMB37.1 million, as compared with RMB52.5 million for the previous year. The decrease in revenue of Zhuo'ao was mainly due to the restructuring of its sole distributor Sihuan Pharmaceutical during the year, which affected the sales results of the product.

For the year ended 31 December 2016, revenue from Miacalcic segment amounted to RMB45.8 million, as compared with nil for the previous year. The revenue from Miacalcic originated from brand licensing fee income of Miacalcic Injection upon completion of acquisition and settlement of Novartis in July 2016.

For the year ended 31 December 2016, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB66.7 million or 10.6% to RMB563.7 million, as compared with RMB630.4 million for the previous year. The decrease in overall revenue of this segment was mainly due to the complete termination of the Fortum distribution business of the Group in 2016. However, the revenue from Libod, an oncology drug manufactured by FDZH, increased by RMB13.5 million or 2.5% to RMB555.5 million, as compared with RMB542.0 million for the previous year, which offset the impact of the decrease in revenue of this segment. The growth in sales of Libod was mainly due to the good safety and efficacy of the drug, resulting in further expansion of market coverage and increase in sales.

Research and Development

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

PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favorable factors, including the size of an increasing ageing population, the Chinese government's commitment to improve access to healthcare services and better affordability from rising disposable income. With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long-term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its strategies: the Group will actively conduct R&D of innovative drugs for driving the Group's profit growth and fully develop the market potential of brand drugs and generic drugs, achieving the economies of scale for the Group through boosting sales performance of various drugs. The Group will continue to proactively identify opportunities to acquire quality products to enrich its product portfolio, gathering the momentum for sustainable development of the Group.

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

HUMAN RESOURCES

As at 31 December 2016, the Group had 582 fulltime employees (2015: 411 employees). For the year ended 31 December 2016, the Group's total cost on remuneration, welfare and social security amounted to RMB64.6 million (2015: RMB66.1 million).

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

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded 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							
	2016 Sales volume	**2016 Unit price**	**2016 Sales amount**	**2016 Proportion**	2015 Sales volume	2015 Unit price	2015 Sales amount	2015 Proportion
	'000	***RMB***	***RMB'000***	***(%)***	*'000*	*RMB*	*RMB'000*	*(%)*
Proprietary products production and sales								
Songzhi Wan	**108**	**333.0**	**35,895**	**3.9%**	–	–	–	–
Shusi	**7,257**	**28.4**	**205,872**	**22.5%**	6,292	22.2	139,403	16.4%
Zhuo'ao	**30,507**	**1.2**	**37,124**	**4.1%**	37,672	1.4	52,497	6.2%
Others	**18,941**	**1.4**	**26,746**	**2.9%**	24,362	1.0	25,403	3.0%
Subtotal			**305,637**	**33.4%**			217,303	25.6%
Miacalcic								
Miacalcic Injection	**–**	**N/A**	**45,827**	**5.0%**	–	–	–	–
Third-party pharmaceutical promotion and sales								
Libod	**90**	**3,598.1**	**324,557**	**35.5%**	84	3,860.3	323,389	38.1%
Service income for Libod	**90**	**2,566.1**	**230,953**	**25.2%**	85	2,572.4	218,656	25.8%
Fortum	**–**	**N/A**	**(638)**	**–**	1,751	41.4	72,386	8.5%
Others	**93**	**94.0**	**8,783**	**0.9%**	910	17.6	15,992	1.9%
Subtotal			**563,655**	**61.6%**			630,423	74.4%
Total			**915,119**	**100.0%**			847,726	100.0%

Revenue from proprietary products production and sales increased by RMB88.3 million or 40.6% to RMB305.6 million, accounting for 33.4% of the total revenue in 2016, as compared with RMB217.3 million or 25.6% of the Group's revenue in 2015. The increase in revenue from proprietary products production and sales was due to two reasons. Firstly, Songzhi Wan was launched for sale in the market in June 2016, bringing revenue contribution to the Company of RMB35.9 million for the year ended 31 December 2016. Secondly, Shusi recorded an increase in sales. The increase in revenue of Shusi was primarily due to increased market demand as well as improved management of inventory in the distribution channels which resulted in an increase of 965,000 units or 15.3% in sales volume for the year ended 31 December 2016 from 6,292,000 units for the corresponding period in 2015, and an increase of RMB6.2 or 27.9% in the average commercial selling price per unit to RMB28.4 for the year ended 31 December 2016 from RMB22.2 for the corresponding period in 2015.

The Company completed the acquisition and settlement in respect of Miacalcic Injection in July 2016, bringing brand licensing fee income contribution to the Company of RMB45.8 million for the year ended 31 December 2016.

Revenue from third-party pharmaceutical promotion and sales decreased by RMB66.7 million or 10.6% to RMB563.7 million, accounting for 61.6% of the total revenue in 2016, as compared with RMB630.4 million or 74.4% of the Group's total revenue in 2015. The decrease in revenue from third-party pharmaceutical promotion and sales was mainly due to a decrease in the sales of Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"). The Group completely terminated its Fortum distribution business in 2016.

On the other hand, for third-party pharmaceutical promotion and sales, the revenue from Libod, an oncology drug manufactured by FDZH, increased by RMB13.5 million or 2.5% to RMB555.5 million, accounting for 60.7% of the total sales for the year ended 31 December 2016, as compared with RMB542.0 million or 63.9% of the total sales for the corresponding period in 2015. The increase in revenue from Libod was mainly due to an increase of 6,000 units or 7.1% in sales volume for the year ended 31 December 2016 from 84,000 units for the corresponding period in 2015, which was partially offset by a decrease of RMB262.2 or 6.8% in the average commercial selling price per unit to RMB3,598.1 for the year ended 31 December 2016 from RMB3,860.3 for the corresponding period in 2015. In addition, included in the revenue of Libod in 2016 is a service income of RMB231.0 million, or RMB2,566.1 per unit sold, recognised under a contract between FDZH and a subsidiary of the Company. The service income was paid by FDZH to this subsidiary for the promotion of Libod. Given the prevalence of cancer in China, the Group believes that Libod will maintain stable growth in sales.

Cost of Sales

For the year ended 31 December 2016, cost of sales increased by RMB25.3 million or 6.4% to RMB421.5 million, as compared with RMB396.2 million for the year ended 31 December 2015. The increase in cost of sales during the year was mainly due to the increase in sales of Libod and Shusi and launch of Songzhi Wan for sale in the market.

Gross Profit

Products	2016 Gross Profit RMB'000	2016 Gross Profit Margin (%)	2015 Gross Profit RMB'000	2015 Gross Profit Margin (%)
	For the year ended 31 December			
Proprietary products production and sales				
Songzhi Wan	**31,654**	**88.2%**	–	–
Shusi	**161,868**	**78.6%**	104,979	75.3%
Zhuo'ao	**19,292**	**52.0%**	28,702	54.7%
Others	**(4,240)**	**(15.9)%**	(1,830)	(7.2)%
Subtotal	**208,574**	**68.2%**	131,851	60.7%
Miacalcic				
Miacalcic Injection	**45,827**	**100.0%**	–	–
Third-party pharmaceutical promotion and sales				
Libod	**239,796**	**43.2%**	317,743	58.6%
Fortum	**(621)**	**N/A**	7,617	10.5%
Others	**53**	**0.6%**	(5,704)	(35.7)%
Subtotal	**239,228**	**42.4%**	319,656	50.7%
Total	**493,629**	**53.9%**	451,507	53.3%

Gross profit increased by RMB42.1 million or 9.3% to RMB493.6 million in 2016, as compared with RMB451.5 million in 2015. Gross profit margin increased by 0.6 percentage point to 53.9% for the year ended 31 December 2016, as compared with 53.3% for the corresponding period in 2015. The increase in gross profit margin was mainly due to higher average selling price and sales contribution of products with higher gross profit margin, including Shusi, and contribution from newly acquired product, namely Miacalcic Injection.

Reportable Segment Operating Profit

The operating expenses of the Group decreased by RMB28.6 million or 9.6% to RMB268.7 million for the year ended 31 December 2016, as compared with RMB297.3 million for the corresponding period in 2015. The Group reported an operating profit of RMB224.9 million for the year ended 31 December 2016, as compared with RMB154.3 million for the corresponding period in 2015. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the year ended 31 December 2016:

	For the year ended 31 December			
	2016 Operating Profit	**2016 Operating profit margin**	2015 Operating Profit	2015 Operating profit margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Proprietary products production and sales	**60,485**	**19.8%**	71,001	32.7%
Miacalcic	**45,365**	**99.0%**	–	–
Third-party pharmaceutical promotion and sales	**119,031**	**21.1%**	83,249	13.2%
Total	**224,881**	**24.6%**	154,250	18.2%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB1.7 million or 6.5% to RMB29.0 million for the year ended 31 December 2016, as compared to RMB27.3 million for the year ended 31 December 2015. The increase in finance costs was mainly due to the corresponding finance cost from new loans during the year. However, as the interest rate of new loans was generally low during the year, the increase in finance costs was not significant.

Taxation

Income tax expense was RMB40.8 million for the year ended 31 December 2016 as compared to an income tax expense of RMB13.0 million for the year ended 31 December 2015. The increase in income tax expense was mainly due to increase in profit before taxation and reversal of temporary differences for deferred tax assets arising from internal restructuring of business of certain PRC subsidiaries within the Group that led to decrease in expected future taxable profits against which the deductible temporary differences, which were previously recognised as deferred tax assets, in respect of provision for trade receivables will be utilized in the future.

Profit/Core Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2016 was RMB116.2 million as compared to a net profit of RMB87.7 million for the year ended 31 December 2015. Core profit attributable to equity holders of the Company for the year ended 31 December 2016 was RMB131.9 million as compared to a core profit of RMB103.4 million for the year ended 31 December 2015, which was mainly attributable to the improvement on our gross profit margin and reduction in operating expenses.

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 2016.

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 2016 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

	As at 31 December	
	2016	2015
Profit attributable to equity shareholders of the Company *(RMB'000)*	**116,181**	87,694
Plus: equity-settled share option expenses *(RMB'000)*	**2,625**	7,441
Plus: share of loss of an associate *(RMB'000)*	**31**	8,000
Plus: net exchange loss *(RMB'000)*	**617**	–
Plus: net loss on disposal of property, plant and equipment, intangible assets and interests in subsidiaries *(RMB'000)*	**12,400**	232
Core profit attributable to equity shareholders of the Company *(RMB'000)*	**131,854**	103,367
Weighted average number of ordinary shares in issue *('000)*	**1,558,058**	1,416,549
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options *('000)*	**1,566,546**	1,427,663
Basic earnings per share *(RMB cent per share)*	**7.46**	6.19
Diluted earnings per share *(RMB cent per share)*	**7.42**	6.14
Basic core earnings per share *(RMB cent per share)*	**8.46**	7.30
Diluted core earnings per share *(RMB cent per share)*	**8.42**	7.24

The core profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company excluding equity settled share option expenses, share of loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment and intangible assets and interests in subsidiaries.

Capital Expenditure

Total capital expenditure increased by RMB926.5 million or 797.3% to RMB1,042.7 million for the year ended 31 December 2016, as compared to RMB116.2 million for the year ended 31 December 2015. The capital expenditure was mainly used for acquiring the exclusive intellectual property rights and distribution rights relating to Miacalcic Injectable drug products.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The primary objective of the Group's capital management is to maintain the ability to continue as a going concern so that the Group can continue to provide returns for shareholders of the Company and benefits for other stakeholders by proper product pricing and securing access to financing at a reasonable cost. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange loss of RMB0.6million for the year ended 31 December 2016, while the Group did not record any net exchange loss for the year ended 31 December 2015. 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	
	2016	2015
	RMB'000	*RMB'000*
Total debt	**(892,449)**	(261,170)
Pledged bank deposits, cash and cash equivalents	**222,624**	351,384
Net (debt)/cash	**(669,825)**	90,214

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Repayable:		
Within 1 year or on demand	**892,449**	261,170

The Group's bank borrowings of approximately RMB703.5 million as at 31 December 2016 (2015: RMB261.2 million) were bank borrowing of RMB11.0 million (2015: RMB11.2 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of approximately RMB692.5 million (2015: 130.0 million) at fixed interest rate ranging from 4.3% to 6.5% per annum.

In addition, as at 31 December 2016, the Group's other loans amounted to RMB189.0 million in aggregate (2015: Nil), with fixed interest rate ranging from 5.0% to 8.0% per annual. Among which, RMB89.0 million was guaranteed by two executive directors of the Company, Mr. Ng Tit and Ms Chin Yu, and corporate guarantees provided by the Company and a subsidiary.

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 was due and repaid 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	
	2016	2015
	RMB'000	*RMB'000*
Total debt	**892,449**	261,170
Total assets	**2,562,739**	1,398,313
Debt-to-assets ratio	**34.8%**	18.7%

Charges on the Group's Assets

As at 31 December 2016, bank deposits of the Group of RMB133.0 million (31 December 2015: RMB23.4 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB151.0 million (31 December 2015: RMB149.0 million). As at 31 December 2016, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB244.9 million (31 December 2015: RMB24.0 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 31 December 2016:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Contracted but not provided for		
– property, plant and equipment	**474**	198
– investment in an associate	**28,000**	–
– intangible assets: computer software	**2,300**	–
– intangible assets: Miacalcic Spray	**450,905**	–
	481,679	198

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**14,001**	5,525
After 1 year but within 5 years	**29,963**	3,376
Over 5 years	**313**	–
	44,277	8,901

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 2016.

Material Acquisitions

On 18 May 2016, NT Pharma International Company Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company ("NT Pharma HK") as the purchaser entered into (i) an asset purchase agreement (the "Asset Purchase Agreement") with Novartis AG and Novartis Pharma AG, companies organised under the laws of Switzerland (collective called "Novartis") pursuant to which Novartis agreed to transfer to NT Pharma HK (a) certain pharmaceutical product in all dosage forms (other than the Miacalcic Spray) that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Injectable Transferred Assets") and (b) certain pharmaceutical product in the form of a spray that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Spray Transferred Assets"); and (ii) the License Agreement with Novartis, pursuant to which Novartis agrees to grant licenses for the respective assets (the "Licensed Asset") in China and other countries and territories. The purchase price for the Miacalcic Spray Transferred Assets and provision of licenses for the Licensed Assets would be the conditional and not exceeding US$65,000,000 (equivalent to approximately HK$507,000,000).

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 2016.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

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 2016 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, two non-executive Directors and three independent non-executive Directors, with the independent non-executive Directors representing approximately 37.5% of the Board, which is higher than one third of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. On specific enquiries made, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2016.

DIVIDENDS

The directors recommend the payment of a final dividend of HK2.5 cents (2015: HK1.0 cent) per share, representing a total dividend distribution of approximately HK$39.0 million (2015: HK$15.6 million). The final dividend will be payable on 3 July 2017. The proposed dividend has not reflected as dividends payable in the financial statements for the year ended 31 December 2016, but will be reflected as appropriations of retained profits for the year ending 31 December 2017. The register of members of the Company will be closed from 12 June 2017 to 13 June 2017, 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 Friday, 9 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Monday, 5 June 2017, the register of members of the Company will be closed from 30 May 2017 to 5 June 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 29 May 2017.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 12 June 2017 to 13 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 9 June 2017.

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

There are no significant events occurred subsequent to 31 December 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 2016 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 2016 annual report containing all information about the Company set out in this announcement including the annual results for the year ended 31 December 2016 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, 21 March 2017

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