NTPHARMA

China NT Pharma Group Company Limited
中國泰凌醫藥集團有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Due to changes in the operating and regulatory environments, the Group started to gradually exit from the low-margin vaccine business and downsized its vaccine sales and promotion team during the first half of 2012 in order to enhance its overall profit margin and improve its working capital position. This exercise was largely completed by the end of 2012.

- The Group underwent a thorough review of its business lines and product portfolio during the year. As a result, the financially unviable over-the-counter ("OTC") business and certain dermatological products were terminated before the end of 2012.

- Due to the substantial business restructuring exercise stated above, the Group's revenue for the year ended 31 December 2012 decreased by RMB2,019.0 million or 73.2% to RMB739.1 million as compared to RMB2,758.1 million for the year ended 31 December 2011.

- Gross profit of the Group decreased by RMB618.8 million or 69.5% to RMB271.8 million for the year ended 31 December 2012 as compared to RMB890.6 million for the year ended 31 December 2011. Gross profit margin however increased to 36.8% as compared to 32.3% for the year ended 31 December 2011.

- Loss attributable to equity shareholders of the Company amounted to RMB1,109.3 million for the year ended 31 December 2012 as compared to a profit of RMB234.4 million for the year ended 31 December 2011. The loss was stated after RMB676.7 million costs incurred for business restructuring.

- Basic loss per share amounted to RMB102.53 cents for the year ended 31 December 2012 as compared to basic earnings per share of RMB23.41 cents for the year ended 31 December 2011.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China NT Pharma Group Company Limited (the "**Company**" or "**NT Pharma**") announce the audited consolidated results of the Company (together with its subsidiaries, the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** *RMB'000*	2011 *RMB'000*
Turnover	4	**739,132**	2,758,142
Cost of sales		**(467,313)**	(1,867,496)
Gross profit		**271,819**	890,646
Other revenue	5	**8,776**	38,947
Other net (loss) income	6	**(11,940)**	17,875
Selling and distribution expenses		**(579,826)**	(452,834)
Administrative expenses		**(129,297)**	(129,082)
Business restructuring costs	10(c)	**(676,722)**	–
(Loss) profit from operations		**(1,117,190)**	365,552
Finance costs	7(a)	**(60,098)**	(58,083)
(Loss) profit before taxation	7	**(1,117,288)**	307,469
Income tax benefit (expense)	8(a)	**67,972**	(73,092)
(Loss) profit for the year		**(1,109,316)**	234,377
Attributable to:			
Equity shareholders of the Company		**(1,109,316)**	234,377
Non-controlling interests		**–**	–
(Loss) profit for the year		**(1,109,316)**	234,377
(Loss) earnings per share	9		
Basic		**(102.53) cents**	23.41 cents
Diluted		**(102.53) cents**	23.22 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
(Loss) profit for the year	**(1,109,316)**	234,377
Other comprehensive income for the year		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	**2,508**	(9,967)
Total comprehensive income for the year	**(1,106,808)**	224,410
Attributable to:		
Equity shareholders of the Company	**(1,106,808)**	224,410
Non-controlling interests	**–**	–
Total comprehensive income for the year	**(1,106,808)**	224,410

CONSOLIDATED BALANCE SHEET
At 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**233,749**	213,696
– Interests in leasehold land held for own use under operating leases		**30,950**	31,713
		264,699	245,409
Intangible assets		**23,014**	48,826
Prepayments		**21,560**	2,397
Goodwill		**–**	1,250
Deferred tax assets		**88,398**	22,191
		397,671	320,073
Current assets			
Inventories	11	**242,920**	355,673
Trade and other receivables	12	**935,923**	2,409,432
Pledged bank deposits		**402,448**	112,103
Cash at banks and in hand		**246,030**	373,755
		1,827,321	3,250,963
Current liabilities			
Trade and other payables	13	**781,299**	902,602
Bank loans	14	**526,170**	526,253
Current taxation		**11,476**	85,639
		1,318,945	1,514,494
Net current assets		**508,376**	1,736,469

CONSOLIDATED BALANCE SHEET
At 31 December 2012

	Note	**2012** ***RMB'000***	2011 *RMB'000*
Total assets less current liabilities		**906,047**	2,056,542
Non-current liabilities			
Unsecured debenture	15	**20,000**	–
Deferred tax liabilities		**1,053**	1,235
NET ASSETS		**884,994**	2,055,307
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**884,993**	2,040,176
Total equity attributable to equity shareholders of the Company		**884,994**	2,040,177
Non-controlling interests		**–**	15,130
TOTAL EQUITY		**884,994**	2,055,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

China NT Pharma Group Company Limited (the "Company", together with its subsidiaries, the "Group") are principally engaged in manufacturing, sale 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").

With a view to enhancing the Group's competitiveness and improving its cash flow, the Group began to restructure its business model in 2012. In the second quarter of 2012, the Group decided to gradually exit from the low-margin vaccine business and downsized its vaccine sales and promotion team. In the last quarter of 2012, the Group further decided to terminate the OTC business and dermatological product line in light of a continuing decrease in gross margins of these products and challenging operating environment. Going forward, the Group will focus on promoting and distributing third-party and self-manufactured proprietary pharmaceutical products with higher margins and investment returns. A significant loss was incurred as a result of this business restructuring, the financial impact of which is summarised in note 10(c).

2. GENERAL INFORMATION AND BASIS OF PREPARATION

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 33 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 20 April 2011.

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Financial Reporting Standards ("HKFRS").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the consolidated financial statements for the year ended 31 December 2012 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2011.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012, and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27 (2011), *Separate financial statements*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual improvements to HKFRSs-2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKFRS 10, *Consolidated financial statements*, HKFRS 11, *Joint arrangements* and HKFRS 12, *Disclosure of interests in other entities-Transition guidance*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of these new standards and amendments is unlikely to have a significant impact on the Group's results of operations and financial position.

4. TURNOVER

The principal activities of the Group are 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:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Sales of pharmaceutical and vaccine products	**665,319**	2,459,857
Service income	**73,813**	298,285
	739,132	2,758,142

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 10, whereas service income represents fees received/receivable from the provision of marketing and promotion services by the Group.

Turnover for the year ended 31 December 2012 was net of sales returns primarily relating to (i) an anti-influenza product amounting to RMB170,066,000 (2011: nil) due to a lack of large-scale flu epidemic outbreak since its launch; and (ii) a herbal dermatological product amounting to RMB46,342,000 (2011: nil) due to product quality problem. Returns of such products were not provided for in the sales contract terms with customers in prior years, and were subsequently negotiated in 2012. The sales of these products had been recognised in prior years based on sales contract terms with the customers as management determined that the criteria for revenue recognition were met at that time.

The Group's customer base is diversified and no individual customer had transactions which contributed 10% or more of the Group's revenue during the years ended 31 December 2012 and 2011.

5. OTHER REVENUE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Bank interest income	**6,426**	3,412
Government subsidy income	**2,126**	27,210
Sundry income	**224**	8,325
	8,776	38,947

6. OTHER NET (LOSS) INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net loss on disposal of property, plant and equipment	**(1,041)**	(189)
Net exchange (loss) gain	**(10,899)**	18,064
	(11,940)	17,875

7. (LOSS) PROFIT BEFORE TAXATION

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank and other borrowings	**52,218**	49,996
Bank charges	**7,880**	8,087
Total finance costs	**60,098**	58,083

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
(b) Staff costs		
Contributions to defined contribution retirement plans	**22,079**	19,587
Salaries, wages and other benefits	**138,576**	131,936
Equity-settled share-based payment expenses	**(3,553)**	11,454
	157,102	162,977

(c) Other items

	Note	Year ended 31 December **2012** *RMB'000*	2011 *RMB'000*
Depreciation of property, plant and equipment		**17,501**	15,049
Amortisation of lease prepayments		**763**	764
Amortisation of intangible assets		**9,360**	8,430
Asset impairment losses:			
– exclusive agency right		**17,000**	–
– goodwill		**1,250**	–
– inventories	11(b)	**120,619**	4,220
– trade debtors		**433,423**	27,535
– deposits and prepayments		**141,963**	–
Auditors' remuneration:			
– audit services		**2,980**	6,209
– non-audit services		**71**	58
Operating lease charges in respect of properties		**13,270**	8,961
Cost of inventories sold	11(b)	**434,000**	1,841,126

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	Year ended 31 December **2012** ***RMB'000***	2011 *RMB'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	19,553
Current tax – PRC Income Tax		
Provision for the year	**3,172**	71,856
Over provision in respect of prior years	**(4,755)**	(619)
	(1,583)	71,237
Deferred tax		
Origination and reversal of temporary differences	**(66,389)**	(17,698)
Income tax (benefit) expense	**(67,972)**	73,092

(b) Reconciliation between actual income tax (benefit)/expense and (loss)/profit before taxation at applicable tax rates:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
(Loss) profit before taxation	**(1,177,288)**	307,469
Notional tax on (loss) profit before taxation, calculated at the tax applicable rates in the jurisdictions concerned *(notes (i) and (ii))*	**(292,695)**	69,903
Tax effect of non-deductible expenses	**11,366**	14,932
Tax effect of non-taxable income	**(89)**	(678)
Tax effect of PRC tax concessions	**–**	(111)
Tax effect of unused tax losses not recognised	**141,650**	3,640
Tax effect of other temporary differences not recognised	**65,601**	–
Tax effect of tax losses not recognised in prior years utilised during the year	**–**	(3,025)
Tax effect of derecognising (recognising) prior years' tax losses in the current year	**10,950**	(10,950)
Over provision in respect of prior years	**(4,755)**	(619)
Actual income tax (benefit) expense	**(67,972)**	73,092

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% (2011: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the year ended 31 December 2012, 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% (2011: 25%).

9. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to the equity shareholders of the Company for the year ended 31 December 2012 of RMB1,109,316,000 (2011: profit of RMB234,377,000) and the weighted average number of ordinary shares of the Company in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2012 Number of shares *'000*	2011 Number of shares *'000*
At 1 January	**1,081,917**	–
Effect of shares issued pursuant to the Reorganisation	**–**	811,438
Effect of shares issued under placing and public offering	**–**	189,705
Effect of shares issued upon exercise of share options	**30**	–
At 31 December	**1,081,947**	1,001,143

(b) Diluted (loss) earnings per share

The calculation of diluted (loss) earnings per share is based on the loss attributable to the equity shareholders of the Company for the year ended 31 December 2012 of RMB1,109,316,000 (2011: profit of RMB234,377,000) and the diluted weighted average number of ordinary shares in the respective year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012 Number of shares *'000*	2011 Number of shares *'000*
Weighted average number of ordinary shares (basic)	**1,081,947**	1,001,143
Effect of deemed issue of shares under the share option scheme for nil consideration	**–**	8,099
Weighted average number of ordinary shares (diluted)	**1,081,947**	1,009,242

10. 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 effective from 1 January 2012:

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

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

– Third-party vaccines and other pharmaceuticals: this segment includes sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. For supply chain business, the turnover is derived from supply chain services for pharmaceutical/vaccine products sold through the Group's supply chain network. Promotion activities of such products are carried out by suppliers instead of the Group.

In 2012, the aggregated financial results of vaccine promotion and sales, vaccine supply chain and pharmaceutical supply chain businesses which were reported separately in previous years' financial statements are reported to the Group's most senior executive management as one single operating segment "third-party vaccines and other pharmaceuticals" for the purpose of resources allocation and performance assessment. Following the change in the composition of the Group's operating segments which have resulted in a change in the reportable segments, the segment information for the year ended 31 December 2011 has been restated.

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 a net book value of RMB26,756,400 as at 31 December 2012 (2011: nil) is located in Hong Kong. Accordingly, no analysis of geographical segment 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 monitor the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred specifically by those segments.

The measure used for reporting segment operating profit/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 2012 and 2011 is set out below.

	Third-party pharmaceutical promotion and sales		**Proprietary products production and sales**		**Third-party vaccines and other pharmaceuticals**		**Total**	
	2012	2011 *(note 10 (a)(i))*	**2012**	2011	**2012**	2011 *(note 10 (a)(i))*	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**478,977**	1,140,107	**149,326**	130,271	**110,829**	1,487,764	**739,132**	2,758,142
Cost of sales	**(330,784)**	(531,626)	**(76,702)**	(78,329)	**(59,827)**	(1,257,541)	**(467,313)**	(1,867,496)
Reportable segment gross profit	**148,193**	608,481	**72,624**	51,942	**51,002**	230,223	**271,819**	890,646
Reportable segment operating (loss) profit	**(511,555)**	317,513	**28,346**	31,713	**(494,556)**	89,140	**(977,765)**	438,366
Depreciation and amortisation for the year	**8,597**	7,243	**10,284**	9,777	**253**	474	**19,134**	17,494

Note:

(i) Certain comparative figures have been reclassified to conform with the current year's presentation.

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**739,132**	2,758,142
(Loss) profit		
Reportable segment operating (loss) profit	**(977,765)**	438,366
Unallocated head office and corporate expenses	**(136,261)**	(129,636)
Other revenue	**8,776**	38,947
Other net (loss) income	**(11,940)**	17,875
Finance costs	**(60,098)**	(58,083)
Consolidated (loss) profit before taxation	**(1,177,288)**	307,469

(c) 2012 business restructuring costs

As described in note 1, the decision to restructure the Group's business negatively impacted the financial performance for the year ended 31 December 2012. Third-party pharmaceutical promotion and sales segment and third-party vaccines and other pharmaceuticals segment experienced significant decreases in revenue and gross margin. The Group also incurred material asset impairment charges and staff redundancy expenses. The financial impact is summarised as follows:

	Third-party pharmaceutical promotion and sales	**Third-party vaccines and other pharmaceuticals**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	478,977	110,829	589,806
Cost of sales	(330,784)	(59,827)	(390,611)
Reportable segment gross profit	148,193	51,002	199,195
Other operating expenses	(499,455)	(29,129)	(528,584)
Business restructuring costs			
– impairment of intangible assets	(17,000)	–	(17,000)
– impairment of goodwill	–	(1,250)	(1,250)
– write-down of inventories *(note 11(b))*	(20,917)	(84,844)	(105,761)
– impairment of trade receivables *(note 12(b))*	–	(399,650)	(399,650)
– impairment of deposits and prepayments *(note 12(c))*	(121,771)	(20,192)	(141,963)
– staff redundancy expenses	(605)	(10,493)	(11,098)
Sub-total	(160,293)	(516,429)	(676,722)
Total operating loss	(511,555)	(494,556)	(1,006,111)

The above restructuring costs and operating loss for the third-party vaccines and other pharmaceuticals segment included RMB399,650,000 of impairment loss on trade receivables related to the vaccine business. Since deciding to gradually exit from the low-margin vaccine business in the second quarter of 2012 and downsize the vaccine sales and promotion team, the Group has devoted considerable resources to collecting trade receivables related to the vaccine business. A dedicated team was formed to focus on chasing debts from vaccine customers all across China. To enhance the effectiveness of debt collection efforts, the Group also engaged a pharmaceutical logistics company in China as an agent to collect some of the receivable balances.

However, the Group encountered more difficulties than anticipated in the debt collection process, especially since the second half of 2012 when the Group started to discontinue the distribution and promotion agreements for an increasing number of vaccine products and ceased to conduct vaccine promotional activities. The Group's decision to exit from the vaccine business and ceasing to conduct promotional activities has left the customers with a sense of higher business risks and as a result many of them delayed payments or even defaulted on their payment obligations. Traditionally, Centers for Disease Control and Prevention ("CDCs") have been slow-payers due to their own needs to obtain funding but regular debt repayments were received from the CDCs in prior years. However, the cessation of business relationships with the CDCs exacerbated the challenges of debt collection. Particularly, many CDCs are located in remote rural areas with less sophisticated record keeping, which made it hard for the Group to follow up regularly or reconcile the outstanding balances with them after the cessation of business relationship. Furthermore, the Group had legal disputes during May and August of 2012 with a domestic supplier of vaccines over a product quality issue and with a foreign supplier of vaccines over the accuracy of outstanding balances payable by the Group in the process of winding down the vaccine business. In both cases, the vaccine suppliers obtained court orders to freeze some of the Group's bank accounts and to instruct certain of the Group's customers to withhold their payments due to the Group. One of these court orders lasted for the month of May 2012 and the other one lasted from August to November 2012, causing disruptions to the Group's cash collection process and delaying debtor repayment.

In addition to impairment of accounts receivables, the business restructuring exercise for the third-party vaccines and other pharmaceuticals segment led to other significant asset write-downs, including expired inventories of RMB84,844,000, unrecoverable deposits placed with former vaccine suppliers of RMB20,192,000 and the goodwill derived from a vaccine-related acquisition in prior years of RMB1,250,000. The Group also incurred vaccine staff redundancy costs of RMB10,493,000.

Apart from the loss of third-party vaccines and other pharmaceuticals segment, the business restructuring exercise also led to significant asset write-downs for the third-party pharmaceutical promotion and sales segment, which related mainly to the terminated OTC business and dermatological products. The asset write-downs included unrecoverable deposits and prepayments placed with former suppliers of dermatological products of RMB121,771,000, consisting primarily of RMB90,000,000 and RMB30,000,000 relating to two dermatological products which the Group decided to discontinue before the end of 2012 because of decreasing profit margins and the challenging operating environment, expired inventories of RMB20,917,000 and relinquished exclusive agency right of RMB17,000,000.

11. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**10,064**	8,626
Work in progress	**1,906**	1,164
Finished goods	**230,900**	345,842
Low value consumables	**50**	41
	242,920	355,673

As at 31 December 2012, certain banking facilities of the Group were secured by the Group's inventories amounting to RMB13,450,000 (2011: RMB59,728,000) (note 14).

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	**434,000**	1,841,126
Write-down of inventory in normal course of business	**14,858**	4,220
Write-down of inventory due to business restructuring	**105,761**	–
	554,619	1,845,346

12. TRADE AND OTHER RECEIVABLES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**1,092,312**	2,179,049
Less: Allowance for doubtful debts *(note 12(b))*	**(377,706)**	(39,665)
	714,606	2,139,384
Deposits, prepayments and other receivables *(note 12(c))*	**221,317**	264,048
Amount due from a related company	**–**	6,000
	935,923	2,409,432

As at 31 December 2012, RMB40,882,000 (2011: RMB896,000) of the Group's deposits, prepayments and other receivables were expected to be recovered or recognised as expenses after more than one year. All of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

As at 31 December 2012, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to RMB74,596,000 (2011: RMB59,825,000) (note 14).

(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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**278,536**	1,356,512
More than 3 months but within 6 months	**58,635**	318,312
More than 6 months but within 1 year	**96,268**	202,830
More than 1 year but within 2 years	**277,625**	223,624
More than 2 years	**3,542**	38,106
	714,606	2,139,384

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

		The Group	
	2012	**2012**	**2012**
	Non-vaccine	**Vaccine**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Not past due	213,218	16,848	230,066
Less than 3 months past due	89,942	9,498	99,440
More than 3 months but less than 6 months past due	28,792	26,861	55,653
More than 6 months but less than 1 year past due	51,479	183,062	234,541
More than 1 year but less than 2 years past due	4,694	90,212	94,906
Over 2 years past due	–	–	–
	388,125	326,481	714,606

	The Group		
	2011	**2011**	**2011**
	Non-vaccine	**Vaccine**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Not past due	802,020	553,925	1,355,945
Less than 3 months past due	91,503	251,183	342,686
More than 3 months but less than 6 months past due	48,855	70,905	119,760
More than 6 months but less than 1 year past due	68,932	136,955	205,887
More than 1 year but less than 2 years past due	8,539	100,527	109,066
Over 2 years past due	2,941	3,099	6,040
	1,022,790	1,116,594	2,139,384

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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**39,665**	12,595
Impairment loss recognised during the year	**433,423**	27,535
Uncollectible amount written off	**(95,382)**	(465)
At 31 December	**377,706**	39,665

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

In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB33,773,000 was recognised against the gross receivable balance of RMB421,898,000 as at 31 December 2012.

As discussed in note 10(c), the Group experienced significant difficulties in collecting debts from vaccine customers as a result of exiting from the vaccine business. As at 31 December 2012, the Group performed individual credit evaluation on all vaccine debtors. These evaluations considered the debtor's background, financial strengths, repayment status during and after 2012, and other specific circumstances with the debtors. As a result of the evaluation exercise, the Group has recorded an impairment provision of RMB343,933,000 against the gross receivables balance from customers of the vaccine business of RMB670,414,000 as at 31 December 2012, which represents the Directors' assessment of the recoverability of the individual debtor balances based on the information available and current circumstances.

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

(c) Impairment of deposits, prepayments and other receivables

As at 31 December 2012, the balance of deposits and prepayments was net of a provision for impairment of RMB141,963,000 (2011: nil) due to business restructuring (note 10(c)).

13. TRADE AND OTHER PAYABLES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Trade creditors	**124,707**	672,200
Bills payable *(note 13(a))*	**484,829**	34,895
Total trade creditors and bills payable *(note 13(b))*	**609,536**	707,095
Amounts due to related companies	**–**	7,470
Receipts in advance from customers	**33,774**	11,330
Fixed assets purchase payables	**8,627**	15,694
Accrued promotion expenses	**83,113**	51,967
Accrued staff costs	**10,095**	15,414
VAT payable	**5,488**	52,847
Other payables and accruals	**30,666**	40,785
	781,299	902,602

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, the balance of bills payable included undue bank accepted bills issued for intra-group transactions amounting to RMB217,080,000 (2011: nil), which were factored to banks.

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months or on demand	**538,031**	457,127
More than 3 months but within 6 months	**2,565**	138,121
More than 6 months but within 1 year	**4,340**	43,290
More than 1 year	**64,600**	68,557
	609,536	707,095

14. BANK LOANS

As at 31 December 2012, the bank loans comprised:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Bank loans-repayable within 1 year or on demand		
– Secured	**346,870**	129,753
– Unsecured	**179,300**	396,500
	526,170	526,253

At 31 December 2012, the Group had banking facilities of RMB807,517,531 (2011: RMB712,380,000), which were utilised to the extent of RMB346,870,244 (2011: RMB129,753,000). The bank facilities were secured by certain assets of the Group as set out below:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Fixed assets	**26,756**	–
Inventories	**13,450**	59,728
Trade and other receivables	**74,569**	59,825
Pledged bank deposits	**180,000**	37,839
	294,775	157,392

As at 31 December 2012, certain banking facilities of the Group amounting to RMB400,000,000 (2011: RMB200,000,000) were guaranteed by a company controlled by city-level government in the PRC.

As at 31 December 2012, there is no financial covenant related to the above banking facilities.

15. UNSECURED DEBENTURE

In April 2012, Suzhou First 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 issued an unsecured debenture of RMB20,000,000 (2011: nil) with a maturity period of three years from 27 April 2012 to 26 April 2015. The debenture carries a fixed annual interest rate of 7.5%. The interest is payable annually on 26 April.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

NT Pharma is a leading third-party pharmaceutical and vaccine promotion and sales services provider in the People's Republic of China (the "PRC" or "China"). The Group's history dates back to 1995 and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 20 April 2011. NT Pharma has an extensive third-party promotion network covering more than 4,000 hospitals in China. The Group also possesses manufacturing capabilities through its wholly-owned subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First") which is GMP-certified and has obtained approvals from the State Food and Drug Administration of China (the "SFDA") for 175 drug licenses to manufacture and sell pharmaceutical products.

2012 proved to be an extremely difficult year for the Company as it faced many challenges and uncertainties in both its vaccine and pharmaceutical businesses. The vaccine business suffered from a drastically reduced product portfolio following the withdrawal of several key vaccine products by the Group's foreign suppliers from the China market since the implementation of the new China pharmacopeia in the second half of 2011. At the same time, strict regulatory controls on the distribution, transportation and storage of vaccines and fiscal controls on the funding methods of the local Centers for Disease Control and Prevention ("CDCs") created tremendous operating and financial pressures on the Company. As the Group's vaccine supply chain and promotion business units began to face deteriorating operating conditions such as shrinking margins, slow-moving inventories and long receivables ageing, which showed no sign of alleviation in the near future, the management of NT Pharma underwent a review of its vaccine business during the second quarter of 2012. As a result of the review, the Company made the decisive step to gradually exit from the low-margin vaccine business and downsize its vaccine promotion and sales team in the second quarter of 2012. This decision entailed a major restructuring exercise which involved staff reduction and business realignment. However, the restructuring exercise proved to be much more challenging than anticipated; as a result the Company incurred significant restructuring costs including trade receivables impairment and inventories write-downs, which had a material adverse impact on the year's financial results. Going forward, the Company has largely ceased doing new businesses with the CDCs as the residual vaccine business only represents a small portion of the overall business of the Group.

At the same time, the pharmaceutical business of the Company also encountered several issues during the year. Fortum, an antibiotic manufactured by GlaxoSmithKline plc ("GSK") and the largest contributor to the Company's revenue by product, experienced a notable decline in its sales due to disruptions caused by GSK's decision to gradually substitute imported Fortum with the domestically manufactured version of the product, as well as stringent regulations issued by the Chinese Ministry of Health since late 2011 on the prescription of antibiotics by hospitals. Although these new regulations have eventually proved to be successful in driving out generic products, which are mostly supplied by local manufacturers, from the market, the whole antibiotic market suffered from an inevitable sharp decline in sales during the initial phase of enforcement of the new regulations. Furthermore, the oncology drug Libod, another key product of the Group, suffered from a shortage of supply during the year, as its manufacturer, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd, ("FDZH"), experienced certain production capacity constraints when it upgraded its facilities to meet the new GMP standards. During the second half of the year, the Company also underwent a thorough review of its business model and product portfolio. As a result of the review, several dermatological products and the OTC business, which had significantly under-performed and showed no signs of improvement, were terminated before the end of the year. Furthermore, the Company recorded significant sales returns during the year, principally related to Relenza and a herbal dermatological product, which amounted to RMB170.1 million and RMB46.3 million respectively. Relenza is an anti-influenza drug imported and sold by the Group in the last few years in anticipation of strategic demand by the Chinese government to combat any large-scale flu epidemic outbreak. However, such anticipated demand has thus far not materialized; hence the goods have been returned to the Company pending a follow-up sales plan between the supplier and the Company. The herbal dermatological product, which is manufactured by a domestic pharmaceutical company in China, has been suffering from quality issues and product recalls during the year. The profit margin of the product had also been decreasing in the face of an increasingly challenging operating environment, the Company therefore terminated the distribution agreement and relinquished its sole distribution right of the product towards the end of the year, incurring an asset impairment loss of RMB107.0 million in respect of prepayments and intangible assets.

As a result of the factors described above, the overall revenue of the Group for the year ended 31 December 2012 decreased by 73.2% to RMB739.1 million, as compared with RMB2,758.1 million for the previous year. The Group also incurred a total business restructuring cost of RMB676.7 million. Such restructuring cost included increased provisions for doubtful debts, principally for the vaccine business, of RMB399.7 million, increased provisions for slow-moving and obsolete inventories, principally for vaccines and dermatological products, of RMB105.8 million, write-down of distribution rights, goodwill, deposits and performance guarantees, principally for vaccines and dermatological products, of RMB160.2 million, as well as staff redundancy costs for downsizing its vaccine and OTC teams of RMB11.1 million. The significant decrease in revenue and increase in charges led to an overall net loss of RMB1,109.3 million for the year ended 31 December 2012, compared to a net profit of RMB234.4 million for the previous year. Despite the negative impact on short-term earnings, the Group believes that the restructuring exercise, which has been largely completed by the end of 2012, will enhance the overall profit margin and improve the working capital position of the Group in the long run.

2. BUSINESS REVIEW

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

Third-party Pharmaceutical Promotion and Sales

This will be the core business of NT Pharma going forward, as the Group has substantially reduced the size of its vaccine business.

During the year 2012, Fortum was impacted by the disruptions caused by GSK's decision to gradually substitute imported Fortum with domestically manufactured products, but more importantly by the new regulations on prescription of antibiotics issued by the Chinese Ministry of Health in late 2011. Following the implementation of the new regulations, most hospitals exercised increased caution in prescribing antibiotics, which led to a sharp decline in the total sales of antibiotics in China. The revenue of Fortum for the year ended 31 December 2012 decreased by RMB281.8 million or 50.7% to RMB273.5 million, accounting for 57.1% of the segment's total sales for the year, as compared with RMB555.3 million or 48.7% of the segment's total revenue for the previous year. Nevertheless, the new regulations have proved to be an effective means of eliminating generic antibiotic products, the majority of which is produced by domestic manufacturers, from the market, as many hospitals actually prefer to use products of known quality and reputation in the face of tighter regulations. The Company believes that such market trend will favour imported and established brands such as Fortum. In fact, Fortum sales had started to pick up towards the end of 2012 and there are signs that the momentum will continue in 2013.

The revenue of Libod decreased by RMB41.6 million or 30.5% to RMB95.0 million, accounting for 19.8% of the segment's total sales for the year ended 31 December 2012, as compared with RMB136.6 million or 12.0% of the segment's total sales for the previous year. The decrease in sales was attributable to a shortage of supply during the year, as its manufacturer, FDZH, had experienced certain production capacity constraints when it upgraded its facilities to meet the new GMP standards. FDZH completed its upgrade and resumed normal production of Libod in the last quarter of the year. The Company believes that Libod's sales performance will improve when the production capacity constraints are alleviated.

The Company underwent a critical review and re-assessment of its existing business lines and product portfolio during the second half of the year. It was concluded that the OTC business, which incurred an operating loss during the year ended 31 December 2012, was no longer a financially viable business. The OTC business was therefore terminated at the end of the year. In addition, several dermatological products, which were targeted at community hospitals and retail pharmacies, had significantly under-performed during the year. As the

Group has made the decision to focus on specialized and high-end products going forward, these dermatological products were also terminated at the end of 2012, Furthermore, as described above, the Company recorded significant sales returns during the year involving Relenza and a herbal dermatological product. Sales returns of the former were due to a lack of large-scale flu epidemic outbreaks since its launch; whilst those of the latter were due to product quality issues. Returns of these products were not provided for in the sales contract terms with the customers in prior years, and were subsequently negotiated in 2012.

Due to the above reasons, the revenue of the third-party pharmaceutical promotion and sales segment decreased by RMB661.1 million or 58.0% to RMB479.0 million for the year ended 31 December 2012, as compared with RMB1,140.1 million for the previous year. The operating loss of the segment amounted to RMB511.6 million for the year ended 31 December 2012, after charging business restructuring costs of RMB160.3 million for the termination of the OTC business and the dermatological products, described above, as compared with an operating profit of RMB317.5 million for the previous year.

Despite incurring an operating loss for the year ended 31 December 2012, the Group had managed to overcome the difficult operating conditions and streamlined its product and business lines during the year. The promotion and sales team will strive to continue to expand the market share of NT Pharma by increasing the size of sales network and hospital penetration rate. At the end of 2012, the Group's sales network comprised over 4,000 hospitals, representing an increase of 200 hospitals from 3,800 hospitals as at 31 December 2011.

Proprietary Products Production and Sales

Proprietary products of the Group are produced by Suzhou First and comprise Shusi, an atypical antipsychotic drug, as well as a wide range of other drugs. The revenue of Shusi increased by RMB12.9 million or 25.2% to RMB64.1 million, accounting for 43.0% of the segment's total sales for the year ended 31 December 2012, as compared with RMB51.2 million or 39.3% of the segment's total sales for the previous year.

In February 2012, NT Pharma announced the acquisition of the remaining 20% equity interests in Suzhou First, making it a wholly-owned subsidiary of the Company. The acquisition was completed in July 2012. As at the date of this announcement, Suzhou First has obtained approvals from the SFDA for 175 drugs licenses to manufacture and sell pharmaceutical products used in areas such as central nervous system ("CNS"), cardiovascular and anti-infectives. Located at the Suzhou Industrial Park, the 150-hectare manufacturing base is 2010 GMP-certified and was built in accordance with the standards established by the U.S. Food and Drug Administration and the European Union.

Third-Party Vaccines and Other Pharmaceuticals

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

With a view to enhancing the Group's competitiveness and improving its cash flow, NT Pharma began to restructure its business model in the second quarter of 2012 by gradually exiting from its low-margin vaccine business, downsizing its vaccine promotion and sales team and focusing on its third-party pharmaceutical promotion and sales business which has higher margins and returns. As a result, revenue from the third-party vaccines and other pharmaceuticals businesses decreased by 92.6% in 2012. The restructuring exercise also incurred total costs of RMB516.4 million, comprising mainly bad debt provision, write-down of inventories, impairment of deposits and staff redundancy cost. The operating loss of the segment amounted to RMB494.6 million for the year ended 31 December 2012, as compared with an operating profit of RMB89.1 million for the previous year. The Group had largely completed the restructuring exercise by the end of 2012. The residual vaccine business will represent only a small portion of the overall business of the Group going forward.

The above restructuring costs and operating loss for the third-party vaccines and other pharmaceuticals segment included RMB399.7 million of impairment loss on trade receivables related to the vaccine business. Since deciding to gradually exit from the low-margin vaccine business in the second quarter of 2012 and downsize the vaccine sales and promotion team, the Group has devoted considerable resources to collecting trade receivables related to the vaccine business. A dedicated team was formed to focus on chasing debts from vaccine customers from all across China. To enhance the effectiveness of debt collection efforts, the Group also engaged a pharmaceutical logistics company in China as agent to collect some of the receivable balances.

However, the Group encountered more difficulties than anticipated in the debt collection process, especially since the second half of 2012 when the Group started to discontinue the distribution and promotion agreements for an increasing number of vaccine products and ceased to conduct vaccine promotional activities. The Group's decision to exit from the vaccine business and ceasing to conduct promotional activities has left the customers with a sense of higher business risks and as a result many of them delayed payments or even defaulted on their payment obligations. Traditionally, CDCs have been slow-payers due to their own needs to obtain funding but regular debt repayments were received from the CDCs in prior years. However, the cessation of business relationships with the CDCs exacerbated the challenges of debt collection. Particularly, many CDCs are located in remote rural areas with less sophisticated record keeping, which made it hard for the Group to follow up regularly or reconcile the outstanding balances with them after the cessation of business relationship. Furthermore, the Group had legal disputes during May and August of 2012 with a domestic supplier of vaccines over a product quality issue and with a foreign supplier of vaccines over the accuracy of outstanding balances payable by the Group in the process of winding down the vaccine business. In both cases, the vaccine suppliers obtained court orders to freeze some of the Group's bank accounts and to instruct certain of the Group's customers to withhold their payments due to the Group. One of these court orders lasted from the month of May 2012 and the other one lasted for August to November 2012, causing disruptions to the Group's cash collection process and delaying debtor repayment.

In addition to impairment of accounts receivables, the business restructuring exercise for the third-party vaccines and other pharmaceuticals segment led to other significant asset write-downs, including expired inventories of RMB84.8 million, unrecoverable deposits placed with former vaccine suppliers of RMB20.2 million and the goodwill derived from a vaccine-related acquisition in prior years of RMB1.3 million. The Group also incurred vaccine staff redundancy cost of RMB10.5 million.

Going forward, the Group will remain fully committed to recover the remaining balances by all possible means. Legal actions against certain CDCs and commercial distributors are being taken or in the preparation stage by the Group. Concurrently, the Group will actively explore other avenues such as engaging specialized debt collection agents to collect the remaining accounts receivable.

3. PROSPECTS AND OUTLOOK OF THE COMPANY

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although the healthcare reform may lead to short-term uncertainties, 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 Company believes that the growth of the healthcare industry in China is supported by a combination of favourable factors including the size of the overall Chinese population of which an increasing proportion is ageing, 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. In order to enhance the Group's competitiveness and to improve cash flow, NT Pharma implemented a major restructuring of its business units and product lines in 2012, which involved gradually exiting from its vaccine business, downsizing its vaccine promotion and sales team, as well as terminating the underperforming OTC business and dermatological products. Going forward, the Group will focus on the higher margin third-party pharmaceutical promotion and sales business as well as on more specialized, high-end and high-growth therapeutic areas. The Group has identified oncology, anti-infectives and CNS as the specialized areas that will deliver sustainable growth in the long-run. At the beginning of 2013, the Group has established a separate business unit under the pharmaceutical promotion and sales business for each of these therapeutic areas. Each business unit has a distinct sales force and dedicated management team, as well as a key "flagship" product. Libod and Fortum will be the key products for the oncology and anti-infectives business units, respectively; whilst Shusi, which is produced by the Group's own factory in Suzhou, will be the key product for the CNS business unit. NT Pharma expects these products to deliver improved performances in 2013 due to various favourable conditions: the stricter regulations on the prescription of antibiotics have helped to drive out generic products and re-direct demand towards branded products such as Fortum; the supply of Libod has returned to normal and the increasing prevalence of treatment of CNS-related diseases.

In 2013, the Group will continue to search for acquisition targets as well as potential strategic collaboration opportunities with due care and diligence. In particular, the Group's priority is to identify strategic investment opportunities which will complement and expand its existing product portfolio and market coverage. In addition to the existing products, NT Pharma will continue to enrich its product lines in the three therapeutic areas of oncology, anti-infectives and CNS.

NT Pharma is also strengthening its management capabilities by hiring new personnel in key positions of finance, marketing, human resources and medical research functions, as the Company believes that the depth and quality of these management talents are critical to the successful execution of its new strategy. The Company has also strengthened its internal control and credit control systems and procedures with a view of enhancing its management of working capital and cash flow. For instance, the Group has reduced the number of its debtors by consolidating the distribution channels. NT Pharma will strive to overcome market challenges by adopting its own competitive strengths to implement future development strategies in a proactive yet pragmatic approach. At the same time, the Company will closely monitor the changes of the Chinese pharmaceutical market and the directions of related government policies in China. NT Pharma remains confident in its ability to overcome these challenges and will continue to bolster its competitive position in the Chinese pharmaceutical market.

4. HUMAN RESOURCES

As at 31 December 2012, the Group had 927 full-time employees (2011: 1,182 employees). For the year ended 31 December 2012, the Group's total cost on remuneration, welfare and social security amounted to RMB157.1 million (2011: RMB163.0 million).

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

5. FINANCIAL REVIEW

Revenue

Total revenue for the year ended 31 December 2012 decreased by RMB2,019.0 million or 73.2% to RMB739.1 million, as compared to RMB2,758.1 million for the year ended 31 December 2011. The decrease was primarily due to the decrease in revenue from the third-party vaccines and other pharmaceuticals business as well as the third-party pharmaceutical promotion and sales business.

The following table sets forth a breakdown of the Group's revenue by reportable segment for the year ended 31 December 2012:

Breakdown of Reportable Segment Revenue

	For the year ended 31 December				
	2012		2011		
	Revenue *RMB'000*	**% of total revenue**	Revenue *RMB'000*	% of total revenue	**% Change**
Third-party pharmaceutical promotion and sales	**478,977**	**64.8%**	1,140,107	41.3%	**(58.0)%**
Proprietary products production and sales	**149,326**	**20.2%**	130,271	4.8%	**14.6%**
Third-party vaccines and other pharmaceuticals	**110,829**	**15.0%**	1,487,764	53.9%	**(92.6)%**
Total	**739,132**	**100.0%**	2,758,142	100.0%	**(73.2)%**

Revenue from third-party pharmaceutical promotion and sales decreased by RMB661.1 million or 58.0% to RMB479.0 million, accounting for 64.8% of total revenue in 2012, as compared with RMB1,140.1 million or 41.3% of the Group's total revenue for the year ended 31 December 2011. As previously mentioned in this announcement, the decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to decrease in sales of the Group's key products, significant sales returns and under-performance of the OTC business and dermatological products.

Revenue from proprietary products production and sales increased by RMB19.1 million or 14.6% to RMB149.3 million, accounting for 20.2% of total revenue in 2012, as compared with RMB130.3 million or 4.8% of the Group's total revenue for the year ended 31 December 2011. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi.

Revenue from third-party vaccines and other pharmaceuticals decreased by RMB1,376.9 million or 92.6% to RMB110.8 million, accounting for 15.0% of total revenue in 2012, as compared with RMB1,487.8 million or 53.9% of the Group's total revenue for the year ended 31 December 2011. The decrease in revenue from third-party vaccines and other pharmaceuticals was primarily due to the Group's decision to gradually exit from the vaccine business as well as to downsize its vaccine promotion and sales team.

Cost of Sales

Cost of sales decreased by RMB1,400.2 million or 75.0% to RMB467.3 million for the year ended 31 December 2012, as compared to RMB1,867.5 million for the year ended 31 December 2011. The decrease in cost of sales was in line with the decrease in overall revenue.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB618.8 million or 69.5% to RMB271.8 million for the year ended 31 December 2012, as compared to RMB890.6 million for the year ended 31 December 2011.

Gross profit margin increased by 4.5 percentage points to 36.8% for the year ended 31 December 2012 as compared to 32.3% for the year ended 31 December 2011.

Segment Operating (Loss) Profit

Total segment operating loss amounted to RMB977.8 million for the year ended 31 December 2012 as compared to the total segment operating profit of RMB438.4 million for the year ended 31 December 2011.

The following table sets forth a breakdown of the Group's operating (loss) profit by reportable segment for the year ended 31 December 2012:

Breakdown of Reportable Segment Operating (Loss) Profit

	For the year ended 31 December		
	2012	2011	**% Change**
	RMB'000	*RMB'000*	
Third-party pharmaceutical promotion and sales	**(511,555)**	317,513	**(261.1)%**
Proprietary products production and sales	**28,346**	31,713	**(10.6)%**
Third-party vaccines and other pharmaceuticals	**(494,556)**	89,140	**(654.8)%**
Total	**(977,765)**	438,366	**(323.0)%**

The respective operating loss of the third-party pharmaceutical promotion and sales segment and of the third-party vaccines and other pharmaceuticals segment for the year ended 31 December 2012 was stated after business restructuring costs of RMB160.3 million and RMB516.4 million. A breakdown of such costs is set forth in the table below:

	Third-party pharmaceutical promotion and sales	**Third-party vaccines and other pharmaceuticals**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Business restructuring costs:			
Impairment of intangible assets	(17,000)	–	(17,000)
Impairment of goodwill	–	(1,250)	(1,250)
Write-down of inventories	(20,917)	(84,844)	(105,761)
Impairment of trade receivables	–	(399,650)	(399,650)
Impairment of deposits and prepayments	(121,771)	(20,192)	(141,963)
Staff redundancy expenses	(605)	(10,493)	(11,098)
Total	(160,293)	(516,429)	(676,722)

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB2.0 million or 3.5% to RMB60.1 million for the year ended 31 December 2012, as compared to RMB58.1 million for the year ended 31 December 2011. The increase was mainly due to an increase in bank loans and overdrafts during the year.

Taxation

Income tax credit was RMB68.0 million for the year ended 31 December 2012 as compared to an income tax expense of RMB73.1 million for the year ended 31 December 2011. The income tax credit was mainly due to deferred assets recognised during the year.

(Loss) Profit Attributable to Equity Shareholders of the Company

Loss attributable to equity shareholders of the Company was RMB1,109.3 million for the year ended 31 December 2012 as compared to a profit of RMB234.4 million for the year ended 31 December 2011, decreasing by RMB1,343.7 million or 573.3%. The decrease was primarily due to the substantial decrease in sales and increase in charges and provisions in respect of the business restructuring described in the fore-going sections of this announcement.

Basic (Loss) Earnings Per Share

Basic loss per share was RMB102.53 cents for the year ended 31 December 2012, as compared to basic earnings per share of RMB23.41 cents for the year ended 31 December 2011.

Capital Expenditure

Total capital expenditure increased by RMB21.9 million or 50.2% to RMB65.5 million for the year ended 31 December 2012, as compared to RMB43.6 million for the year ended 31 December 2011. The capital expenditure was mainly used for the purchase of the office space of the Hong Kong headquarters, the construction of a warehouse in Taizhou, Jiangsu, the purchase of machinery by Suzhou First and prepayment for an intangible asset.

Use of Proceeds from Listing

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

As at 31 December 2012, balance of the unused proceeds amounted to RMB352.6 million and the use of proceeds was summarized as follows.

	At 31 December 2012 *RMB'000*
Expanding distribution network and promotion teams	98,120
Infrastructure, IT and logistic	20,000
Product portfolio expansion	184,032
Purchasing imported vaccines or pharmaceutical products and general working capital	234,056
Loan settlement	45,000
Total	581,208

6. LIQUIDITY AND FINANCIAL RESOURCES

General Policies

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

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales and purchases made by the Group's Hong Kong and PRC subsidiaries that are denominated in U.S. dollars, Pounds Sterling and Hong Kong dollars. In addition, certain bank loans are denominated in U.S. dollars and Hong Kong dollars. During the year ended 31 December 2012, the Group recorded a net exchange loss of RMB10.9 million, as compared to a net exchange gain of RMB18.1 million for the year ended 31 December 2011. Presently, the Group does not employ any financial instruments for hedging against the foreign exchange exposure.

Interest Rate Exposure

The Group's interest rate risk arises primarily from bank loans, other loans, unsecured debenture and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Presently, the Group does not employ any financial instruments to hedge against the interest rate exposure.

Group Debt and Liquidity

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Total debt	**(546,170)**	(526,253)
Cash and cash equivalents	**648,478**	485,858
Net cash (debt)	**102,308**	(40,395)

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

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Repayable:		
Within 1 year or on demand	**526,170**	526,253

Debt/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.

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Total debt	**546,170**	526,253
Total assets	**2,224,992**	3,571,036
Debt/Assets ratio	**24.5%**	14.7%

Charges on the Group's Assets

As at 31 December 2012, bank deposits of the Group of RMB402.4 million (31 December 2011: RMB112.1 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB831.7 million (31 December 2011: RMB164.6 million). As at 31 December 2012, certain banking facilities of the Group were also secured by the Group's fixed assets, inventories and trade and other receivables which amounted to RMB114.8 million (2011: RMB119.5 million).

Capital Commitments

(a) Capital commitments outstanding at 31 December 2012 not provided for in the consolidated financial statements were as follows:

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Contracted for	**9,113**	3,680

(b) At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 31 December 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year	**11,033**	10,603
After 1 year but within 5 years	**8,781**	12,590
	19,814	23,193

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.

Non-adjusting post balance sheet events

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

(b) In February 2013, the Taizhou Medical High-Tech Zone Administrative Authority accepted the Group's application to buy back the Group's land use right and building thereon located in the Taizhou Medical High-Tech Zone. The purchase price will be based on the asset's historical cost of RMB47,500,000 subject to an audit of the valuation.

(c) On 28 March 2013, the Company entered into a non-legally binding memorandum of understanding (the "MOU"), through its wholly-owned subsidiary, NTP (China) Investment Co., Limited, with Sinopharm Group Co. Ltd. (國藥控股股份有限公司) ("Sinopharm") for the cooperation in the sales and promotion of vaccines, cold-chain pharmaceutical products and other related fields (the "Cooperation").

It is currently contemplated in the MOU that, subject to obtaining regulatory approvals from the relevant authorities in Shanghai, Beijing and Guangzhou, and upon the entry of a formal cooperation agreement between Sinopharm and the Company, a special purpose vehicle ("SPV") will be established in Shanghai to facilitate the Cooperation. It is expected that Sinopharm and the Company will each hold a 70% and 30% equity interest in the SPV, respectively.

7. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2012.

8. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules") and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2012 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.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2012.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

11. CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Wednesday, 19 June 2013 to Friday, 21 June 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on 21 June 2013. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 18 June 2013.

During the period mentioned in the above, no transfer of shares of the Company will be registered.

12. REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company 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 2012 and has recommended its adoption by the Board.

13. PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2012 annual report containing all information about the Company set out in this announcement including the financial results for the year ended 31 December 2012 will be posted on the Company's website (**www.ntpharma.com**) and the website of the HKSE (**www.hkexnews.hk**) in due course.

14. EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Company's auditor has qualified its report on the Group's consolidated financial statements for the year ended 31 December 2012, an extract of which is as follows:

Basis for qualified opinion

As stated in notes 1 and 14(c) to the consolidated financial statements, in the second quarter of 2012 the Group decided to gradually exit from the vaccine business. As disclosed in note 21, the Group has net outstanding trade receivables of RMB326,481,000 related to the vaccine business as at 31 December 2012, among which RMB300,135,000 was past due by more than three months. The Group has recorded an impairment provision of RMB343,933,000 against the gross receivable balance from customers of this vaccine business of RMB670,414,000. The Directors of the Company have informed us that this impairment provision represents their assessment of the recoverability of the individual debtor balances based on the information available and current circumstances. However, we were unable to obtain sufficient information to evaluate the appropriateness of management's assessment and basis of judgment on the recoverability of this vaccine business related receivable balance. Accordingly, we were unable to satisfy ourselves regarding the valuation of the accounts receivable balance related to the vaccine business as at 31 December 2012. Any under or over-estimate of the recoverability of these receivables would affect the net assets of the Company and the Group as at 31 December 2012 and the Group's net loss for the year ended 31 December 2012, and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matter set out in the basis for qualified opinion paragraph above, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 28 March 2013

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