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 2013

HIGHLIGHTS

- The operating environment for the Group remained highly demanding throughout 2013 as the Group strived to implement its new strategy of focusing on high-margin pharmaceutical promotion and sales, expanding its proprietary product portfolio and developing its own research and development capabilities; while continuing to tackle the residual issues of the major group restructuring exercise carried out in the previous year.

- Despite the challenges, the Group has largely completed its strategic transition and began to see encouraging signs of improvements in 2013. The overall revenue of the Group for the year ended 31 December 2013 increased by RMB15.0 million or 2.0% to RMB754.1 million, as compared with RMB739.1 million for the previous year.

- Gross profit increased by RMB17.2 million or 6.3% to RMB289.0 million for the year ended 31 December 2013, as compared to RMB271.8 million for the year ended 31 December 2012. Gross profit margin increased by 1.5 percentage points to 38.3% for the year ended 31 December 2013 as compared to 36.8% for the year ended 31 December 2012.

- The Group reported a net loss of RMB673.5 million, after incurring business restructing costs of RMB406.1 million, for the year ended 31 December 2013, narrowing from a net loss of RMB1,109.3 million, after incurring business restructuring costs of RMB676.7 million, for the previous year.

- Basic loss per share was RMB62.24 cents for the year ended 31 December 2013, as compared to basic loss per share of RMB102.53 cents for the year ended 31 December 2012.

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 2013, together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Turnover	4	**754,115**	739,132
Cost of sales		**(465,147)**	(467,313)
Gross profit		**288,968**	271,819
Other revenue	5	**25,258**	8,776
Other net loss	6	**(17,053)**	(11,940)
Fair value loss on embedded derivatives of unsecured debenture	15(b)	**(1,691)**	–
Selling and distribution expenses		**(375,807)**	(579,826)
Administrative expenses		**(91,215)**	(129,297)
Business restructuring costs	10(c)	**(406,098)**	(676,722)
Loss from operations		**(577,638)**	(1,117,190)
Finance costs	7(a)	**(75,203)**	(60,098)
Loss before taxation	7	**(652,841)**	(1,177,288)
Income tax (expense)/credit	8(a)	**(20,617)**	67,972
Loss for the year		**(673,458)**	(1,109,316)
Attributable to:			
Equity shareholders of the Company		**(673,458)**	(1,109,316)
Non-controlling interests		**–**	–
Loss for the year		**(673,458)**	(1,109,316)
Loss per share			
Basic	9	**(62.24) cents**	(102.53) cents
Diluted	9	**(62.24) cents**	(102.53) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Loss for the year	**(673,458)**	(1,109,316)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	**(2,941)**	2,508
Total comprehensive loss for the year	**(676,399)**	(1,106,808)
Attributable to:		
Equity shareholders of the Company	**(676,399)**	(1,106,808)
Non-controlling interests	**–**	–
Total comprehensive loss for the year	**(676,399)**	(1,106,808)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment		**189,189**	233,749
– Interests in leasehold land held for own use under operating leases		**14,818**	30,950
		204,007	264,699
Intangible assets		**44,821**	23,014
Prepayments		**16,000**	21,560
Deferred tax assets		**109,763**	88,398
		374,591	397,671
Current assets			
Inventories	11	**132,409**	242,920
Trade and other receivables	12	**298,230**	935,923
Designated loans		**147,114**	–
Pledged bank deposits		**260,063**	402,448
Cash at banks and in hand		**229,239**	246,030
		1,067,055	1,827,321
Current liabilities			
Trade and other payables	13	**576,116**	781,299
Bank loans	14	**285,457**	526,170
Unsecured debentures	15	**29,632**	–
Current taxation		**30,830**	11,476
		922,035	1,318,945
Net current assets		**145,020**	508,376

	Note	2013 RMB'000	2012 RMB'000
Total assets less current liabilities		**519,611**	906,047
Non-current liabilities			
Unsecured debentures		**309,941**	20,000
Deferred tax liabilities		**871**	1,053
NET ASSETS		**208,799**	884,994
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**208,798**	884,993
Total equity attributable to equity shareholders of the Company		**208,799**	884,994
Non-controlling interests		**–**	–
TOTAL EQUITY		**208,799**	884,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Group is principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical and vaccine products and the provision of marketing and promotion services to suppliers in 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 over-the-counter ("OTC") business and dermatological product line in light of a continuing decrease in gross margins of these products and challenging operating environment. Going forward, the Group will focus on promoting and distributing third-party and self-produced proprietary pharmaceutical products with higher margins and investment returns, as well as developing its own research and development capabilities. The financial impact of the business restructuring 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 2013 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2012.

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

Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Revised HKAS 19	Employee benefits
Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities

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

4. TURNOVER

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

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

	2013	2012
	RMB'000	*RMB'000*
Sales of pharmaceutical and vaccine products	**613,931**	665,319
Service income	**140,184**	73,813
	754,115	739,132

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.

5. OTHER REVENUE

	2013	2012
	RMB'000	*RMB'000*
Interest income on designated loans	**12,114**	–
Bank interest income	**9,852**	6,426
Government subsidy income	**2,614**	2,126
Sundry income	**678**	224
	25,258	8,776

6. OTHER NET LOSS

	2013	2012
	RMB'000	*RMB'000*
Net loss on disposal of property, plant and equipment	**(16,555)**	(1,041)
Net exchange loss	**(498)**	(10,899)
	(17,053)	(11,940)

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*

(a) Finance costs

Interest on bank and other borrowings	**70,324**	52,218
Bank charges	**4,879**	7,880
Total finance costs	**75,203**	60,098

(b) Staff costs

	2013	2012
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**24,505**	22,079
Salaries, wages and other benefits	**103,489**	138,576
Equity-settled share-based payment expenses	**204**	(3,553)
	128,198	157,102

(c) Other items

	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**17,681**	17,501
Amortisation of lease prepayments	**689**	763
Amortisation of intangible assets	**8,712**	9,360
Asset impairment losses:		
– exclusive agency right	**–**	17,000
– goodwill	**–**	1,250
– inventories	**160,168**	120,619
– trade debtors	**264,863**	433,423
– deposits and prepayments	**31,994**	141,963
Auditors' remuneration:		
– audit services		
– provision for the year	**1,440**	2,980
– under provision in prior year	**1,709**	–
– non-audit services	**23**	71
Operating lease charges in respect of properties	**12,162**	13,270
Cost of inventories sold	**465,147**	434,000
Reversal of impairment for trade debtors	**(22,185)**	–

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2013	2012
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**45,111**	3,172
Over provision in respect of prior years	**(2,947)**	(4,755)
	42,164	(1,583)
Deferred tax		
Origination and reversal of temporary differences	**(21,547)**	(66,389)
Income tax expense/(credit)	**20,617**	(67,972)

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

	2013	2012
	RMB'000	RMB'000
Loss before taxation	**(652,841)**	(1,177,288)
Notional tax on loss before taxation, calculated at the tax applicable rates in the jurisdictions concerned *(notes (i) and (ii))*	**(157,841)**	(292,695)
Tax effect of non-deductible expenses	**37,431**	11,366
Tax effect of non-taxable income	**(12)**	(89)
Tax effect of unused tax losses not recognised	**110,620**	141,650
Tax effect of other temporary differences not recognised	**24,399**	65,601
Tax effect of derecognising prior years' tax losses in the current year	**–**	10,950
Reversal of previously recognized deferred tax assets	**8,967**	–
Over provision in respect of prior years	**(2,947)**	(4,755)
Actual income tax expense/(credit)	**20,617**	(67,972)

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% (2012: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the year ended 31 December 2013, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

The Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2012: 25%).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the year ended 31 December 2013 of RMB673,458,000 (2012: RMB1,109,316,000) 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)

	2013 Number of shares *'000*	2012 Number of shares *'000*
At 1 January	**1,081,957**	1,081,917
Effect of shares issued upon exercise of share options	**–**	30
At 31 December	**1,081,957**	1,081,947

(b) Diluted loss per share

No adjustment for share options was made in calculating diluted loss per share for both years as the conversion of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is the same as basic loss per share for both years.

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:

- 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.

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

The Group's revenue and profit/loss are derived from sales in the PRC and the principal operating assets employed by the Group are located in the PRC, except that an office property with net book value of RMB25,303,000 as at 31 December 2013 (2012: RMB26,756,400) 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 monitors the results attributable to each reportable segment on the following bases:

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

The measure used for reporting segment 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 2013 and 2012 is set out below.

	Third-party pharmaceutical promotion and sales		**Proprietary products production and sales**		**Third-party vaccines and other pharmaceuticals**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**618,439**	478,977	**126,836**	149,326	**8,840**	110,829	**754,115**	739,132
Cost of sales	**(387,995)**	(330,784)	**(65,010)**	(76,702)	**(12,142)**	(59,827)	**(465,147)**	(467,313)
Reportable segment gross profit	**230,444**	148,193	**61,826**	72,624	**(3,302)**	51,002	**288,968**	271,819
Reportable segment operating (loss)/profit	**(91,029)**	(511,555)	**18,638**	28,346	**(407,710)**	(494,556)	**(480,101)**	(977,765)
Depreciation and amortisation for the year	**5,127**	8,597	**13,523**	10,284	**958**	253	**19,608**	19,134

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**754,115**	739,132
Loss		
Reportable segment operating loss	**(480,101)**	(977,765)
Unallocated head office and corporate expenses	**(104,051)**	(136,261)
Fair value loss on embedded derivatives of unsecured debenture	**(1,691)**	–
Other revenue	**25,258**	8,776
Other net loss	**(17,053)**	(11,940)
Finance costs	**(75,203)**	(60,098)
Consolidated loss before taxation	**(652,841)**	(1,177,288)

(c) Business restructuring costs

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

	Third-party pharmaceutical promotion and sales		Third-party vaccines and other pharmaceuticals		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**618,439**	478,977	**8,840**	110,829	**627,279**	589,806
Cost of sales	**(387,995)**	(330,784)	**(12,142)**	(59,827)	**(400,137)**	(390,611)
Reportable segment gross profit	**230,444**	148,193	**(3,302)**	51,002	**227,142**	199,195
Other operating expenses	**(275,808)**	(499,455)	**(43,975)**	(29,129)	**(319,783)**	(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))*	**(45,665)**	(20,917)	**(70,216)**	(84,844)	**(115,881)**	(105,761)
– impairment of trade receivables *(note 12(b))*	**–**	–	**(258,223)**	(399,650)	**(258,223)**	(399,650)
– impairment of deposits and prepayments *(note 12(d))*	**–**	(121,771)	**(31,994)**	(20,192)	**(31,994)**	(141,963)
– staff redundancy expenses	**–**	(605)	**–**	(10,493)	**–**	(11,098)
Sub-total	**(45,665)**	(160,293)	**(360,433)**	(516,429)	**(406,098)**	(676,722)
Total operating loss	**(91,029)**	(511,555)	**(407,710)**	(494,556)	**(498,739)**	(1,006,111)

11. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**11,109**	10,064
Work in progress	**2,339**	1,906
Finished goods	**118,961**	230,900
Low value consumables	**–**	50
	132,409	242,920

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**465,147**	434,000
Write-down of inventory in normal course of business	**44,287**	14,858
Write-down of inventory due to business restructuring	**115,881**	105,761
	625,315	554,619

12. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**718,423**	1,092,312
Less: Allowance for doubtful debts *(note (b))*	**(620,384)**	(377,706)
	98,039	714,606
Deposits, prepayments and other receivables *(note (d))*	**200,191**	221,317
	298,230	935,923

As at 31 December 2013, RMB46,000,000 (2012: RMB40,882,000) 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 2013, certain banking facilities of the Group were secured by the Group's trade and other receivables amounting to RMB15,400,000 (2012: RMB74,596,000) (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:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**21,778**	278,536
More than 3 months but within 6 months	**13,383**	58,635
More than 6 months but within 1 year	**13,411**	96,268
More than 1 year but within 2 years	**49,467**	277,625
More than 2 years	**–**	3,542
	98,039	714,606

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

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

	2012 Non-vaccine *RMB'000*	2012 Vaccine *RMB'000*	2012 Total *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
	388,125	326,481	714,606

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:

	2013 ***RMB'000***	2012 *RMB'000*
At 1 January	**377,706**	39,665
Impairment loss recognised during the year		
– Vaccine	**258,223**	399,650
– Non-vaccine	**6,640**	33,773
	264,863	433,423
Reversal of impairment	**(22,185)**	–
Uncollectible amount written off	**–**	(95,382)
At 31 December	**620,384**	377,706

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.

In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB18,228,000 (2012: RMB33,773,000) was recognised against the gross receivable balance of RMB116,267,000 (2012: RMB421,898,000) during the year ended 31 December 2013.

As at 31 December 2013, 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 2013, 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 2013, the Group recorded impairment provision of RMB602,156,000 (2012: RMB343,933,000) against the gross receivables balance from customers of the vaccine business which were overdue for more than one year and brought forward from 31 December 2012, by charging an additional impairment provision of RMB258,223,000 to the consolidated income statement for the year ended 31 December 2013.

As at 31 December 2013, the Group's trade debtors and bill receivables of RMB620,384,000 (2012: RMB377,706,000) were individually determined to be impaired. The individually impaired receivables are mostly related to the vaccine business. Consequently, specific allowance for doubtful debts of RMB264,863,000 (2012: RMB433,423,000) was recognised for the year ended 31 December 2013.

(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:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**15,477**	201,961
Less than 3 months past due	**13,735**	82,296
More than 3 months but less than 6 months past due	**10,531**	32,333
More than 6 months past due	**38,463**	268,859
	62,729	383,488
	78,206	585,449

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 RMB62,729,000 (2012: RMB143,511,000) and RMBNil (2012: RMB239,977,000) in respect of non-vaccine and vaccine businesses, respectively. 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 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 and vaccine related receivable balances.

(d) Impairment of deposits, prepayments and other receivables

As at 31 December 2013, the balance of deposits and prepayments was net of a provision for impairment of RMB31,994,000 (2012: RMB141,963,000) due to business restructuring (note 10(c)).

13. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade creditors	**81,472**	124,707
Bills payable	**352,734**	484,829
Total trade creditors and bills payable	**434,206**	609,536
Receipts in advance from customers	**21,917**	33,774
Fixed assets purchase payables	**–**	8,627
Accrued promotion expenses	**72,760**	83,113
Accrued staff costs	**11,906**	10,095
VAT payable	**1,034**	5,488
Other payables and accruals	**34,293**	30,666
	576,116	781,299

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

Aging analysis of trade creditors and bills payable based on the billing date of invoice is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months or on demand	**14,398**	538,031
More than 3 months but within 6 months	**352,807**	2,565
More than 6 months but within 1 year	**523**	4,340
More than 1 year	**66,478**	64,600
	434,206	609,536

14. BANK LOANS

As at 31 December 2013, the bank loans comprised:

	2013	2012
	RMB'000	*RMB'000*
Bank loans-repayable within 1 year or on demand		
– Secured	**106,957**	346,870
– Unsecured	**178,500**	179,300
	285,457	526,170

At 31 December 2013, the Group had banking facilities of RMB570,542,000 (2012: RMB807,517,531), which were utilised to the extent of RMB106,957,000 (2012: RMB346,870,244). The banking facilities were secured by certain assets of the Group as set out below:

	2013	2012
	RMB'000	*RMB'000*
Fixed assets	**25,303**	26,756
Inventories	**–**	13,450
Trade and other receivables	**15,400**	74,569
Pledged bank deposits	**33,000**	180,000
	73,703	294,775

As at 31 December 2013, certain banking facilities of the Group amounting to RMB300,000,000 (2012: RMB400,000,000) were guaranteed by a company controlled by city-level government in the PRC.

As at 31 December 2013, there is no financial covenant related to the above banking facilities.

15. UNSECURED DEBENTURES

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

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

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

	Embedded derivatives at fair value through profit or loss *RMB'000*	**Liability component at amortised cost basis** *RMB'000*	**Total** *RMB'000*
At 1 January 2013	–	–	–
Proceeds received	**1,573**	**286,677**	**288,250**
Interest charged to profit or loss	–	**29,632**	**29,632**
Change in fair value	**1,691**	–	**1,691**
At 31 December 2013	**3,264**	**316,309**	**319,573**
Analysed as:			
As non-current liabilities	**3,264**	**286,677**	**289,941**
As current liabilities	–	**29,632**	**29,632**
	3,264	**316,309**	**319,573**

16. DIVIDEND

No dividend was declared or paid by the Company during the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

NT Pharma is principally engaged in research and development and manufacturing of pharmaceutical products, as well as provision of pharmaceutical promotion and sales services in the PRC. The Group's history dates back to 1995 and the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "HKSE") on 20 April 2011. NT Pharma has an extensive promotion network covering over 4,400 hospitals in China. The Group possesses manufacturing capabilities through its wholly-owned subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), which is certified by the new Good Manufacturing Practice (the "GMP") and has obtained approvals from the State Food and Drug Administration of China (the "SFDA") for 176 drug registration licences.

The operating environment for NT Pharma remained highly demanding throughout 2013 as the Group strived to implement its new strategy of focusing on high-margin pharmaceutical promotion and sales, expanding its proprietary product portfolio and developing its own research and development capabilities; while continuing to tackle the residual issues of the major group restructuring exercise carried out in 2012. These issues mainly included outstanding vaccine receivables and inventories of vaccines and terminated pharmaceutical products carried forward from 2012. Based on the Group's assessment of the fair carrying values of these items under prevailing conditions as at 31 December 2013, additional impairment provisions of RMB258.2 million, RMB32.0 million, RMB70.2 million and RMB45.7 million were made against vaccine receivables, vaccine guarantee deposits, inventories of vaccines and inventories of terminated pharmaceutical products, respectively. Nevertheless, the core pharmaceutical promotion and sales business of the Group reported improved financial results for the year ended 31 December 2013. The overall revenue of the Group for the year ended 31 December 2013 increased by RMB15.0 million or 2.0% to RMB754.1 million, as compared with RMB739.1 million for the previous year. The net loss of the Group for the year ended 31 December 2013 amounted to RMB673.5 million, as compared with a net loss of RMB1,109.3 million for the previous year.

2. BUSINESS REVIEW

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

Third-party Pharmaceutical Promotion and Sales

Third-party pharmaceutical promotion and sales represents the core business of the Group since the major restructuring exercise described in the 2012 annual report.

During the year ended 31 December 2013, revenue generated by the third-party pharmaceutical promotion and sales segment increased by RMB139.4 million or 29.1% to RMB618.4 million, as compared with RMB479.0 million for the previous year.

The third-party pharmaceutical promotion and sales segment currently covers products in specialized therapeutic areas comprising oncology, anti-infectives and central nervous system ("CNS"), of which the top two contributors to revenue are Libod and Fortum, an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH") and an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"), respectively.

The revenue of Libod increased by RMB21 million or 22.1% to RMB116.0 million, accounting for 18.8% of the segment's total sales for the year ended 31 December 2013, as compared with RMB95.0 million or 19.8% of the segment's total sales for the previous year. Libod's manufacturer, FDZH, had experienced certain production capacity constraints during 2012 when it upgraded its facilities to meet the new GMP standards. This upgrade was completed in the last quarter of 2012 and sales of Libod increased during 2013 after normal supply resumed.

The revenue of Fortum increased by RMB81.2 million or 29.7% to RMB354.7 million, accounting for 57.4% of the segment's total sales for the year ended 31 December 2013, as compared with RMB273.5 million or 57.1% of the segment's total sales for the previous year. Although during 2012 Fortum had been impacted by the new regulations restricting the prescription of antibiotics issued by the Chinese Ministry of Health in late 2011, which led to a sharp decline in the total sales of antibiotics in China, the new regulations proved to be an effective means of eliminating generic antibiotic products from the market, as many hospitals actually prefer to use products of known quality and reputation in the face of tighter regulations. As such, the sales of Fortum picked up again on the back of an increase in demand for brand-name antibiotics products during 2013.

The Group underwent a critical review and re-assessment of its existing business lines and product portfolio during the second half of 2012 and as a result terminated the OTC business and several dermatological products at the end of that year. Based on the latest market conditions, the Group believed that significant discounts would be required to sell the remaining inventories of the dermatological products and therefore an additional impairment provision of RMB45.7 million was made as at 31 December 2013 for these inventories. Besides the afore-mentioned, the Group did not have any other material inventory related to the terminated dermatological products as at 31 December 2013.

Due to significantly lower restructuring costs for the segment incurred in 2013, the operating loss of the segment amounted to RMB91.0 million for the year ended 31 December 2013, as compared with an operating loss of RMB511.6 million for the previous year.

The Group will strive to continue to expand the size of its sales network and hospital penetration rate and improve the operational efficiency of the segment with an aim to return its financial results into positive territory. As at 31 December 2013, the Group's sales network comprised over 4,400 hospitals, compared with approximately 4,000 hospitals as at 31 December 2012. At the beginning of 2013, the Group consolidated its distributorship network and reduced credit terms of the distributors in order to lower credit risk and improve working capital management. The Group also enhanced staff output by reducing the number of head count of the third-party pharmaceutical promotion and sales team throughout 2013. As at 31 December 2013, the segment had approximately 320 employees, including sales, marketing and support staff, as compared with approximately 510 employees as at 31 December 2012.

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 total revenue of the proprietary products production and sales segment decreased by RMB22.5 million or 15.1% to RMB126.8 million for the year ended 31 December 2013, as compared with RMB149.3 million for the previous year. Of the total segment revenue, the revenue of Shusi decreased by RMB10.5 million or 16.4% to RMB53.6 million due to relatively high stock level in the distribution channels, accounting for 42.3% of the segment's total sales for the year ended 31 December 2013, as compared with RMB64.1 million or 43.0% of the segment's total sales for the previous year. Sales of Shusi are expected to improve in 2014 when the stock level is consumed. Suzhou First had approximately 210 employees as at 31 December 2013, compared with approximately 240 employees as at 31 December 2012.

Third-Party Vaccines and Other Pharmaceuticals

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

With a view to enhancing competitiveness and improving cash flow, the Group began to restructure its business model in the second quarter of 2012 by exiting from its low-margin vaccine business, downsizing its vaccine promotion and sales team and focusing on its pharmaceutical manufacturing, promotion and sales business which has higher margins and returns. As a result, revenue from the third-party vaccines and other pharmaceuticals business segment decreased by RMB102.0 million or 92.0% to RMB8.8 million for the year ended 31 December 2013, as compared with RMB110.8 million for the previous year. The restructuring exercise also incurred total costs of RMB360.4 million which comprised further impairment provisions of vaccine receivables, inventories and guarantee deposits as at 31 December 2013, compared with restructuring costs of RMB516.4 million as at 31 December 2012. As such the operating loss of the segment decreased by

RMB86.9 million or 17.6% to RMB407.7 million for the year ended 31 December 2013, as compared with an operating loss of RMB494.6 million for the previous year. The above restructuring costs and operating loss for the third-party vaccines and other pharmaceuticals segment included further impairment loss on trade receivables in relation to the vaccine business. Since deciding to 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. However, other than the difficulties encountered in the debt collection process as described in the 2012 annual report, new issues arose during 2013 making the process even more challenging. In particular, China faced a general tightening of liquidity in the second half of 2013 and the government reined in funding for the local Centers for Disease Control and Prevention ("CDCs"), the principal debtors of the Group. Furthermore, although the Group has engaged several specialized debt collection agents and initiated legal proceedings against a number of debtors, the outcome of these actions has thus far been less effective than anticipated. The Group performed further individual credit evaluations on each vaccine debtor's background, financial strengths, repayment status and other specific circumstances as at 31 December 2013 and made additional specific provision accordingly. As a result, the Group incurred an additional impairment provision for vaccine receivables of RMB258.2 million for the year ended 31 December 2013. The net vaccine receivables after impairment no longer constituted a material item on the statement of financial position as at 31 December 2013.

In addition to impairment of accounts receivables, the business restructuring cost for the third-party vaccines and other pharmaceuticals segment for the year ended 31 December 2013 also included impairment provisions for vaccine inventory and for guarantee deposit of RMB70.2 million and RMB32.0 million, respectively. The inventory related to the residual vaccine business which pertained to the Group fulfilling certain contractual procurement obligations with the supplier. As at 31 December 2013, based on the Group's assessment, the selling price of the related vaccine product would most likely need to be significantly discounted for it to be competitive in the market; an additional impairment provision of RMB70.2 million was therefore made for the inventory as at 31 December 2013. Furthermore, an impairment provision of RMB32.0 million was made against the guarantee deposit for the related business. Besides the afore-mentioned, as at 31 December 2013, the Group did not have any other inventory or deposit related to the vaccine promotion and distribution business. As at 31 December 2013, the segment had approximately 30 employees, as compared with approximately 50 employees as at 31 December 2012.

3. PROSPECTS AND OUTLOOK OF THE GROUP

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

With the Chinese government's continual reforms in 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 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, NT Pharma will continue to refine and reinforce its new strategy of focusing on the pharmaceutical promotion and sales business which includes both third-party and proprietary products, as well as developing its own research and development capabilities. Whilst the Group believes that the existing specialized therapeutic areas of oncology, anti-infectives and CNS will deliver sustainable growth in the long-run, it will also actively identify other specialized, high-end and high-growth therapeutic areas to expand the business. Since the beginning of 2013, NT Pharma has recruited several new senior executives, including a clinical research director who has substantial industry experience with both multi-national and domestic pharmaceutical companies, in order to strengthen the Group's capabilities of evaluating the commercial viability and clinical qualities of new products.

Under the Group's new strategic focus, NT Pharma is particularly interested in searching for opportunities to acquire new proprietary products to enrich its product portfolio. On 20 June 2013, the Group completed the acquisition of the intellectual property rights (including patents, know-how and trademarks) in relation to Xi Di Ke for a consideration of RMB30.5 million from Hefei Yongsheng Pharmaceutical Co. Ltd. Xi Di Ke is a unique national class 1 new drug approved by the SFDA for the treatment of malignant lung and breast tumors. The Group is also actively developing its own research and development capabilities. In the beginning of 2014, the SFDA granted approval for the Group to commence phase II clinical trials for the treatment of myelodysplastic syndromes ("MDS"), a new indication, for Xi Di Ke. In line with NT Pharma's new strategic focus, the Group believes that the acquisition of Xi Di Ke will not only complement its existing proprietary product portfolio but will also strengthen its product pipeline with Xi Di Ke's potential to treat MDS in the future. The Group launched Xi Di Ke in the market in the second half of 2013. NT Pharma believes that the successful marketing of Xi Di Ke will provide long-term growth for the Group in view of the increasing prevalence of cancer in China.

NT Pharma will continue to strengthen its internal control and credit control systems and procedures so as to improve management of working capital and cash flow. At the same time, the Group will closely monitor the trends of the Chinese pharmaceutical market and the directions of related government policies. 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 2013, the Group had 640 full-time employees (2012: 927 employees). For the year ended 31 December 2013, the Group's total cost on remuneration, welfare and social security amounted to RMB128.2 million (2012: RMB157.1 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.

5. FINANCIAL REVIEW

Revenue

Total revenue for the year ended 31 December 2013 increased by RMB15.0 million or 2.0% to RMB754.1 million, as compared to RMB739.1 million for the year ended 31 December 2012. The increase was primarily due to the increase in revenue from 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 2013:

Breakdown of Reportable Segment Revenue

	For the year ended 31 December				
	2013		**2012**		
	Revenue RMB'000	**% of total revenue**	Revenue RMB'000	% of total revenue	**% Change**
Third-party pharmaceutical promotion and sales	**618,439**	**82.0%**	478,977	64.8%	**29.1%**
Proprietary products production and sales	**126,836**	**16.8%**	149,326	20.2%	**(15.1)%**
Third-party vaccines and other pharmaceuticals	**8,840**	**1.2%**	110,829	15.0%	**(92.0)%**
Total	**754,115**	**100.0%**	739,132	100.0%	**2.0%**

Revenue from third-party pharmaceutical promotion and sales increased by RMB139.4 million or 29.1% to RMB618.4 million, accounting for 82.0% of total revenue in 2013, as compared with RMB479.0 million or 64.8% of the Group's total revenue for the year ended 31 December 2012. As previously mentioned in this announcement, the increase in revenue from third-party pharmaceutical promotion and sales was primarily due to an increase in sales of the Group's key products.

Revenue from proprietary products production and sales decreased by RMB22.5 million or 15.1% to RMB126.8 million, accounting for 16.8% of total revenue in 2013, as compared with RMB149.3 million or 20.2% of the Group's total revenue for the year ended 31 December 2012. The decrease in revenue from proprietary products production and sales was primarily due to the decrease in sales of Shusi.

Revenue from third-party vaccines and other pharmaceuticals decreased by RMB102.0 million or 92.0% to RMB8.8 million, accounting for 1.2% of total revenue in 2013, as compared with RMB110.8 million or 15.0% of the Group's total revenue for the year ended 31 December 2012. 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 RMB2.2 million or 0.5% to RMB465.1 million for the year ended 31 December 2013, as compared to RMB467.3 million for the year ended 31 December 2012.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB17.2 million or 6.3% to RMB289.0 million for the year ended 31 December 2013, as compared to RMB271.8 million for the year ended 31 December 2012.

Gross profit margin increased by 1.5 percentage points to 38.3% for the year ended 31 December 2013 as compared to 36.8% for the year ended 31 December 2012.

Segment Operating Loss

Total segment operating loss amounted to RMB480.1 million for the year ended 31 December 2013 as compared to the total segment operating loss of RMB977.8 million for the year ended 31 December 2012.

The following table sets forth a breakdown of the Group's operating (loss) profit by reportable segment for the year ended 31 December 2013:

Breakdown of Reportable Segment Operating Loss

	For the year ended 31 December		
	2013	2012	**% Change**
	RMB'000	*RMB'000*	
Third-party pharmaceutical promotion and sales	**(91,029)**	(511,555)	82.2%
Proprietary products production and sales	**18,638**	28,346	(34.3)%
Third-party vaccines and other pharmaceuticals	**(407,710)**	(494,556)	17.6%
Total	**(480,101)**	(977,765)	50.9%

The 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 2013 was stated after business restructuring costs of RMB45.7 million and RMB360.4 million respectively. 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:			
Write-down of inventories	(45,665)	(70,216)	(115,881)
Impairment of trade receivables	–	(258,223)	(258,223)
Impairment of deposits and prepayment	–	(31,994)	(31,994)
Total	(45,665)	(360,433)	(406,098)

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB15.1 million or 25.1% to RMB75.2 million for the year ended 31 December 2013, as compared to RMB60.1 million for the year ended 31 December 2012. The increase was mainly due to an increase in long-term debt during the year.

Taxation

Income tax expense was RMB20.6 million for the year ended 31 December 2013 as compared to an income tax credit of RMB68.0 million for the year ended 31 December 2012.

Loss Attributable to Equity Shareholders of the Company

Loss attributable to equity shareholders of the Company for the year ended 31 December 2013 narrowed by RMB435.8 million or 39.3% from a loss of RMB1,109.3 million for the year ended 31 December 2012 to RMB673.5 million, primarily due to significantly lower charges and provisions in respect of the business restructuring described in the fore going sections of this announcement, as well as lower selling and distribution expenses.

Basic Loss Per Share

Basic loss per share was RMB62.24 cents for the year ended 31 December 2013, as compared to basic loss per share of RMB102.53 cents for the year ended 31 December 2012.

Capital Expenditure

Total capital expenditure decreased by RMB47.7 million or 72.8% to RMB17.8 million for the year ended 31 December 2013, as compared to RMB65.5 million for the year ended 31 December 2012. The capital expenditure was mainly used for the purchase of production machinery by Suzhou First and intangible assets.

Use of Proceeds from Listing

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

As at 31 December 2013, the balance of unutilized proceeds amounted to RMB174.8 million and the use of proceeds can be summarized as follows.

	As at 31 December 2013 *RMB'000*
Expanding distribution network and promotion teams	**98,120**
Infrastructure, IT and logistic	**28,855**
Product portfolio expansion	**214,532**
Purchasing imported vaccines or pharmaceutical products and general working capital	**372,454**
Loan settlement	**45,000**
Total	**758,961**

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 2013, the Group recorded a net exchange loss of RMB0.5 million, as compared to a net exchange loss of RMB10.9 million for the year ended 31 December 2012. Presently, the Group does not employ any financial instruments for hedging against the foreign exchange exposure.

Interest Rate Exposure

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

Group Debt and Liquidity

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total debt	**(625,030)**	(546,170)
Cash and cash equivalents	**489,302**	648,478
Net (debt) cash	**(135,728)**	102,308

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Repayable:		
Within 1 year or on demand	**315,089**	526,170
After more than 1 year	**309,941**	20,000
	625,030	546,170

In February 2013, the Group's PRC subsidiary, NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司), 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 a maturity period of three years with the debt holder having an option to redeem the debt at face value after two years. The debt is guaranteed by a company controlled by city-level government in the PRC.

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	
	2013	2012
	RMB'000	*RMB'000*
Total debt	**625,030**	546,170
Total assets	**1,441,646**	2,224,992
Debt-to-assets ratio	**43.4%**	24.5%

Charges on the Group's Assets

As at 31 December 2013, bank deposits of the Group of RMB260.1 million (31 December 2012: RMB402.4 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB459.7 million (31 December 2012: RMB831.7 million). As at 31 December 2013, certain banking facilities of the Group were also secured by the Group's fixed assets, inventories and trade and other receivables which amounted to RMB40.7 million (2012: RMB114.8 million).

Capital Commitments

Capital commitments outstanding at 31 December 2013 not provided for were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Contracted for	**28,700**	9,113

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December 2013	2012
	RMB'000	*RMB'000*
Within 1 year	**8,667**	11,033
After 1 year but within 5 years	**2,092**	8,781
	10,759	19,814

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.

Contingent liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

7. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2013.

8. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") for the year ended 31 December 2013 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 2013 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 2013.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

11. 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 2013 and has recommended its adoption by the Board.

12. PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2013 annual report containing all information about the Company set out in this announcement including the financial results for the year ended 31 December 2013 will be posted on the Company's website (**www.ntpharma.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) in due course.

13. 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 2013, an extract of which is as follows:

Basis for qualified opinion

On 28 March 2013, the predecessor auditor issued a report on the consolidated financial statements of the Group for the year ended 31 December 2012 which contained a qualification on their inability to evaluate the appropriateness of management's assessment and basis of judgement on the recoverability of trade receivables of the Group's vaccine business under restructuring as more fully disclosed in Note 1 and Note 13(c) to the consolidated financial statements, for which an impairment provision of RMB343,933,000 was made against the total trade receivable of RMB670,414,000. As a result, they were unable to satisfy themselves regarding the valuation of the trade receivable balance related to the vaccine business as at 31 December 2012 of RMB326,481,000.

At 31 December 2013, as further disclosed in Note 20 to the consolidated financial statements, the Group had fully impaired all those outstanding trade receivable balances of the vaccine business, which were brought forward from 31 December 2012, by making an additional impairment provision of RMB258,223,000 charged to the consolidated income statement for the year ended 31 December 2013.

Since we are unable to obtain sufficient information to evaluate the appropriateness of management's assessment and basis of judgement on the recoverability of trade receivables of the Group's vaccine business as at 31 December 2012, we are unable to assess whether or not the impairment provisions charged to the consolidated income statement for the year ended 31 December 2012 and 2013 are appropriate. Any adjustments to account for the impairment provision made in last year ended 31 December 2012 would have a consequential effect on the results of the Group for the current year ended 31 December 2013.

Qualified opinion arising from limitation of scope

In our opinion, except for the effects of such adjustment, if any, on the results of the Group 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 2013 and of the Group's loss and cash flows for the year 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, 31 March 2014

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.