天大藥業有限公司
TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00455)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

Revenue for the First Half of the Year amounted to approximately HK$102,500,000, which compares to HK$66,500,000 for the Last Corresponding Period representing an increase of 54.2%.

Profit attributable to owners of the Company for the First Half of the Year amounted to HK$2,800,000, while loss attributable to owners of the Company of HK$8,900,000 was recorded for the Last Corresponding Period.

The Group's financial position remains strong with bank balances and cash of approximately HK$463,300,000 at 30 September 2015 (31 March 2015: HK$384,200,000).

During the period, Tianda Pharmaceuticals introduced Shanghai Pharmaceuticals as the second largest shareholder and the strategic partnership is established.

The board of directors of Tianda Pharmaceuticals Limited (the Company) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the Group or Tianda Pharmaceuticals) for the six months ended 30 September 2015, together with comparative figures for the corresponding period in 2014. The results have been reviewed by the Company's audit committee.

The Group's unaudited condensed consolidated statement of profit or loss and other comprehensive income,unaudited condensed consolidated statement of financial position and explanatory notes as presented below are extracted from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015, which has been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	NOTES	Six months ended 30 September 2015 HK$ (Unaudited)	2014 HK$ (Unaudited)
Revenue	3	**102,473,766**	66,462,426
Cost of sales		**(43,551,826)**	(34,456,333)
Gross profit		**58,921,940**	32,006,093
Other income		**5,115,296**	7,215,682
Other gains and losses		**(750,112)**	849,140
Distribution and selling expenses		**(26,539,028)**	(21,492,157)
Administrative expenses		**(26,183,611)**	(30,832,549)
Research and development costs		**(776,208)**	(818,100)
Profit (loss) before tax		**9,788,277**	(13,071,891)
Income tax (expense) credit	4	**(3,085,515)**	1,792,963
Profit (loss) for the period	5	**6,702,762**	(11,278,928)
Other comprehensive (expense) income			
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(839,695)**	(679,487)
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(16,872,387)**	3,817,826
Total comprehensive (expense) income for the period		**(11,009,320)**	(8,140,589)
Profit (loss) for the period attributable to:			
Owners of the Company		**2,793,354**	(8,926,311)
Non-controlling interests		**3,909,408**	(2,352,617)
		6,702,762	(11,278,928)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(13,511,977)**	(6,130,391)
Non-controlling interests		**2,502,657**	(2,010,198)
		(11,009,320)	(8,140,589)
		HK cent	HK cent
Basic earnings (loss) per share	7	**0.14**	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

	NOTES	30 September 2015 HK$ (Unaudited)	31 March 2015 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**161,553,742**	168,057,695
Prepaid lease payments	9	**121,584,086**	84,763,880
Goodwill	10	**108,916,370**	111,615,489
Intangible assets	11	**65,130,373**	73,039,524
Deposit for acquisition of property, plant and equipment		**945,863**	1,250,347
		458,130,434	438,726,935
CURRENT ASSETS			
Inventories		**37,184,174**	38,584,028
Trade and bills receivables and other receivables	12	**48,760,301**	55,274,130
Prepaid lease payments	9	**3,916,173**	3,165,017
Tax recoverable		**72,137**	1,081,837
Bank deposits	13	**319,585,533**	225,818,701
Bank balances and cash	13	**143,676,942**	158,366,450
		553,195,260	482,290,163
CURRENT LIABILITIES			
Trade and other payables	14	**76,858,701**	82,754,970
Government grants – current portion		**123,320**	126,119
Amount due to a related company	16	**1,447,573**	1,355,935
Dividend payable to non-controlling shareholders		**28,017,794**	–
Tax payable		**10,265,228**	6,673,647
		116,712,616	90,910,671
NET CURRENT ASSETS		**436,482,644**	391,379,492
TOTAL ASSETS LESS CURRENT LIABILITIES		**894,613,078**	830,106,427
NON-CURRENT LIABILITIES			
Government grants – non-current portions		**996,835**	1,082,524
Deferred tax liabilities		**34,956,601**	40,615,967
		35,953,436	41,698,491
NET ASSETS		**858,659,642**	788,407,936
CAPITAL AND RESERVES			
Share capital	15	**215,063,588**	187,011,816
Reserves		**610,047,003**	542,331,932
Equity attributable to owners of the Company		**825,110,591**	729,343,748
Non-controlling interests		**33,549,051**	59,064,188
TOTAL EQUITY		**858,659,642**	788,407,936

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) as well as 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).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 cycle

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Managing Director of the Company, being the chief operating decision maker (CODM), for the purposes of resources allocation and assessment of segment performance focuses on the types of goods delivered. The Group focuses on pharmaceutical and biotechnology business and the CODM has chosen to review the financial performance of this business as a whole for allocating resources and assessing performance. The Group has only one operating segment. In addition, the CODM is of the opinion that the presentation of assets and liabilities in accordance with the operating segments is not meaningful as the CODM monitored the Group's assets and liabilities as a whole which is more efficient and effective. Accordingly, no segment assets and liabilities are presented.

The following is an analysis of the Group's revenue and results:

	Six months ended 30 September	
	2015	2014
	HK$	*HK$*
	(Unaudited)	(Unaudited)
REVENUE – EXTERNAL	**102,473,766**	66,462,426
SEGMENT PROFIT (LOSS)	**10,251,760**	(8,764,859)
Other income	**3,206,731**	3,728,713
Other gains and losses	**(96,506)**	855,421
Unallocated expenses	**(6,659,223)**	(7,098,203)
Profit (loss) for the period	**6,702,762**	(11,278,928)

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) after tax earned by/resulted the segment without allocation of central administration costs, directors' salaries and certain other income and other gains and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 September	
	2015	2014
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China (the PRC) enterprise income tax	**(4,416,317)**	(321,505)
PRC withholding tax on dividends distributed by a subsidiary in the PRC	**(3,424,397)**	–
Deferred tax:		
Current period	**4,755,199**	2,114,468
	(3,085,515)	1,792,963

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in, or derived from, Hong Kong for both periods.

The tax rate of the PRC subsidiaries of the Group is 25%, except Yunnan Meng Sheng Pharmaceutical Co., Ltd (Meng Sheng Pharmaceutical) and Tianda Pharmaceuticals (Zhuhai) Ltd. (Tianda Pharmaceuticals (Zhuhai)), subsidiaries of the Group.

Meng Sheng Pharmaceutical is established in the Kunming economic development zone. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng Pharmaceutical is engaged in Western China Development and was entitled to a preferential tax rate of 15% for both periods. Tianda Pharmaceuticals (Zhuhai) is qualified as advanced technology enterprises and has obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2015.

The corporate tax rate applicable to Tianda Pharmaceuticals (Australia) Pty Ltd (Tianda Pharmaceuticals (Australia)), a subsidiary of the Company established and operating in Australia, is 30% for both periods. No provision for the Australian income tax has been provided as the Group had no taxable profit arising in Australia for both periods.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 September	
	2015	2014
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**4,757,788**	2,500,888
Amortisation		
– intangible assets	**5,966,188**	6,078,245
– prepaid lease payments	**1,572,001**	1,574,539
Write off of intangible assets	**8,775**	–
Loss on disposal of property, plant and equipment	**639,845**	6,978
Bank interest income	**(3,184,460)**	(4,565,065)
Net foreign exchange loss (gain)	**101,492**	(856,117)

6. DIVIDENDS

The directors of the Company (the Director(s)) resolved not to declare an interim dividend for both periods.

No final dividend in respect of the year ended 31 March 2015 has been proposed by the Directors. A final dividend of HK0.24 cent per share in respect of the year ended 31 March 2014 was approved at the annual general meeting of the Company in 2014. The aggregate amount of the final dividend paid/payable to the owners of the Company in the interim period of last year amounted to HK$4,488,284.

7. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2015	2014
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to the owners of the Company	**2,793,354**	(8,926,311)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings (loss) per share	**1,949,828,114**	1,870,118,160

No diluted earnings (loss) per share is presented as the Company did not have any dilutive shares in issue during both periods.

8. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment in the current interim period amounted to HK$2,544,508 (six months ended 30 September 2014: HK$30,256,588).

9. PREPAID LEASE PAYMENTS

During the current interim period, Tianda Pharmaceuticals (Zhuhai) acquired the land use right of a piece of land in Zhuhai City, Guangdong Province, the PRC at a consideration (included stamp duties) of RMB33,304,109 (equivalent to approximately HK$41,724,015). The Group intends to establish new facilities on that land, which will be used for research, production and sales for the pharmaceutical biotechnology and healthcare business of the Group. The newly acquired land is held under a medium-term lease for 50 years.

Prepaid lease payments for medium-term leasehold land in the PRC are released to profit or loss over a period of 40 to 50 years.

10. GOODWILL

	Meng Sheng Pharmaceutical *HK$*	Tianda Pharmaceuticals (Zhuhai) *HK$*	Tianda Pharmaceuticals (Australia) *HK$*	Total *HK$*
COST				
At 1 April 2014 (audited)	6,674,893	102,387,438	2,555,867	111,618,198
Exchange realignment	24,413	388,990	(416,112)	(2,709)
At 31 March 2015 and 1 April 2015 (audited)	6,699,306	102,776,428	2,139,755	111,615,489
Exchange realignment	(148,708)	(2,369,461)	(180,950)	(2,699,119)
At 30 September 2015 (unaudited)	6,550,598	100,406,967	1,958,805	108,916,370

The goodwill and intangible assets amounting to HK$108,916,370 (31 March 2015: HK$111,615,489) and HK$65,130,373 (31 March 2015: HK$73,039,524), respectively at 30 September 2015 has been allocated to three (31 March 2015: three) cash generating units (the CGU), namely (1) Meng Sheng Pharmaceutical, (2) Tianda Pharmaceuticals (Zhuhai) and (3) Tianda Pharmaceuticals (Australia). All of which are engaged in the sales of pharmaceuticals and biotechnology products and healthcare products.

CGU for Meng Sheng Pharmaceutical

The recoverable amount of the CGU arising from Meng Sheng Pharmaceutical is determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 12.32% (31 March 2015: 12.32%) for Meng Sheng Pharmaceutical. Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for this CGU. The key assumption is budgeted revenue and gross margins determined based on past performance and the management's expectations for the market development.

No impairment on this CGU is made for both periods as the recoverable amount, which is the value in use, exceeded the carrying amount (comprising goodwill). The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amounts of CGU.

CGU for Tianda Pharmaceuticals (Zhuhai)

The recoverable amount of the CGU arising from Tianda Pharmaceuticals (Zhuhai) is determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budget approved by management covering a five-year period and a pre-tax discount rate of 13.66% (31 March 2015: 13.66%) for Tianda Pharmaceuticals (Zhuhai). Cash flow beyond the 5-year period are extrapolated using a steady 3% growth rate for the CGU. The key assumption is budgeted revenue and gross margins determined based on past performance and the management's expectations for the market development.

No impairment on this CGU is made for both periods as the recoverable amount, which is the value in use, exceeded the carrying amount (comprising goodwill and intangible assets). The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

CGU for Tianda Pharmaceuticals (Australia)

The recoverable amount of the CGU arising from Tianda Pharmaceuticals (Australia) is determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budgets approved by management covering five-year period and a pre-tax discount rate of 15.67% (31 March 2015: 15.67%) for Tianda Pharmaceuticals (Australia). Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for the CGU. The key assumption is budgeted revenue and gross margins determined based on the past performance and the management's expectations for the market development.

No impairment on this CGU is made for both periods as the recoverable amount, which is the value in use, exceeded the carrying amount (comprising goodwill and intangible assets). The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

11. INTANGIBLE ASSETS

	Trademark	**Licenses and permits**	**Total**
	HK$	*HK$*	*HK$*
COST			
At 1 April 2014 (audited)	6,616,786	98,432,731	105,049,517
Exchange realignment	(1,080,799)	(74,594)	(1,155,393)
Additions	21,516	25,263	46,779
At 31 March 2015 (audited)	5,557,503	98,383,400	103,940,903
Exchange realignment	(469,656)	(2,320,465)	(2,790,121)
Written off	(5,800)	(4,080)	(9,880)
At 30 September 2015 (unaudited)	5,082,047	96,058,855	101,140,902
ACCUMULATED AMORTISATION			
At 1 April 2014 (audited)	–	18,888,242	18,888,242
Exchange realignment	–	(102,601)	(102,601)
Provided for the year	–	12,115,738	12,115,738
At 31 March 2015 (audited)	–	30,901,379	30,901,379
Exchange realignment	–	(855,933)	(855,933)
Provided for the period	–	5,966,188	5,966,188
Written off	–	(1,105)	(1,105)
At 30 September 2015 (unaudited)	–	36,010,529	36,010,529
CARRYING VALUE			
At 30 September 2015 (unaudited)	5,082,047	60,048,326	65,130,373
At 31 March 2015 (audited)	5,557,503	67,482,021	73,039,524

	Trademark		Licenses and permits		Total	
	30 September 2015	31 March 2015	**30 September 2015**	31 March 2015	**30 September 2015**	31 March 2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Tianda Pharmaceuticals (Zhuhai)	**–**	–	**59,254,349**	66,370,893	**59,254,349**	66,370,893
Tianda Pharmaceuticals (Australia)	**5,082,047**	5,557,503	**793,977**	1,111,128	**5,876,024**	6,668,631
	5,082,047	5,557,503	**60,048,326**	67,482,021	**65,130,373**	73,039,524

Tianda Pharmaceuticals (Zhuhai) has obtained medicine production licenses and permits that used to manufacture and sell the medicine and drugs. The licenses and permits are granted by Guangdong Food and Medicine Supervision and Administration Bureau and subject to renewal every 5 years without significant cost. Amortisation is provided to write off the cost of the licenses and permits using the straight-line method over the estimated useful life of the licenses and permits of 8 years.

Tianda Pharmaceuticals (Australia) has obtained permits that used to manufacture and sell the healthcare products. The permits are granted by Therapeutic Goods Administration, Australia and subject to renewal every year without significant cost. Amortisation is provided to write off the cost of permits using the straight line method over the estimated useful life of permits of 5 years.

The trademark included several brand names held by Tianda Pharmaceuticals (Australia) which allow the Group to produce products under those brand names. The trademark is treated as having indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. Therefore, it is not amortised until its useful life is determined to be finite.

Particular regarding impairment testing on intangible assets as at 30 September 2015 and 31 March 2015 are disclosed in note 10.

12. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES

The Group allows average credit period ranging from 60 to 180 days to its trade customers. The aging analysis of trade and bills receivables is presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 September 2015	31 March 2015
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade and bills receivables		
Within 60 days	**23,175,160**	19,670,279
61–90 days	**6,382,749**	7,463,637
Over 90 days	**12,729,171**	20,428,592
	42,287,080	47,562,508

13. BANK DEPOSITS, BANK BALANCES AND CASH

The bank deposits, which comprise short-term fixed deposits with original maturity of 7 days to 3 months (31 March 2015: 1 to 3 months), carry market interest rates ranging from 0.26% to 4.10% (31 March 2015: 0.26% to 3.43%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.35% (31 March 2015: 0.01% to 0.35%) per annum.

14. TRADE AND OTHER PAYABLES

The credit period on purchases of goods is 60 to 90 days. The aging analysis of the trade payables presented is based on the invoice date at the end of the reporting period as follow:

	30 September 2015 *HK$* **(Unaudited)**	31 March 2015 *HK$* (Audited)
Trade payables		
Within 60 days	**9,747,740**	7,688,100
61–90 days	**2,988,653**	3,192,095
Over 90 days	**6,631,196**	9,024,517
	19,367,589	19,904,712

15. SHARE CAPITAL

	Number of shares	**Amount** *HK$*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2015 (audited) and at 30 September 2015 (unaudited)	4,000,000,000	400,000,000
Issued and fully paid:		
At 1 April 2015 (audited)	1,870,118,160	187,011,816
Issue of new shares *(note)*	280,517,724	28,051,772
At 30 September 2015 (unaudited)	2,150,635,884	215,063,588

Note: On 20 July 2015, the Company entered into the subscription agreement with the subscriber for the subscription of an aggregate 280,517,724 new shares for an aggregate consideration of HK$109,401,912 at the subscription price of HK$0.39 per subscription share. The subscription was completed on 10 August 2015.

16. AMOUNT DUE TO A RELATED COMPANY

	30 September 2015 *HK$* **(Unaudited)**	31 March 2015 *HK$* (Audited)
Trade balances	**1,447,573**	1,355,935

The Group's amount due to a related company, which is a fellow subsidiary of the Company, is trading in nature, arising from purchase of packaging materials for pharmaceuticals and biotechnology products. The whole amount as at 30 September 2015 and 31 March 2015 is aged within 90 days. The amount is unsecured, non-interest bearing and with credit term within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Tianda Pharmaceuticals is principally engaged in the R&D, manufacture and sales of pharmaceutical, biotechnology and healthcare products. Headquartered in Hong Kong, Tianda Pharmaceuticals established its R&D centers and production bases in Zhuhai and Kunming, China, which are respectively engaged in the R&D and manufacture of chemical and Chinese medicines, biochemical medicines and biotech products. Its sale subsidiary established in Shenzhen, China, is responsible for the sales and marketing and brand building in China; its wholly-owned subsidiary established in Australia is for the product development as well as marketing and sales in the South Pacific countries including Australia and New Zealand, etc; and its wholly-owned subsidiary established in Hong Kong is responsible for the sales of pharmaceutical and healthcare products across regions in Hong Kong, Macau, Taiwan and other international markets.

Financial Review

During the six months ended 30 September 2015 (the First Half of the Year), Tianda Pharmaceuticals recorded a consolidated revenue of approximately HK$102,500,000, representing a year-on-year increase of 54.2% as compared with approximately HK$66,500,000 for the six months ended 30 September 2014 (Last Corresponding Period), of which the revenue of Meng Sheng Pharmaceutical accounted for 36.7%. The relevant gross profit increased from HK$32,000,000 for the Last Corresponding Period to HK$58,900,000, which represents a surge of approximately 84.1%. As a result of the re-launch of Cerebroprotein Hydrolysate Injection, a product with higher gross profit in Meng Sheng Pharmaceutical, Tianda Pharmaceuticals' gross profit margin increased from 48.2% for the Last Corresponding Period to 57.5% for the First Half of the Year. Tianda Pharmaceuticals has made a turnaround to a profit after tax of HK$6,700,000 for the First Half of the Year from a loss of HK$11,300,000 for the Last Corresponding Period.

The business performance of Tianda Pharmaceuticals (Zhuhai) has continued to improve with its sales revenue increasing by 8.7% to HK$63,700,000 from HK$58,600,000 for the Last Corresponding Period, of which **Tuoen** Series products (Ibuprofen Suspension and Drops) accomplished a relatively exceptional sales growth. With sales volume increasing by 43.0% as compared with the Last Corresponding Period, the sales revenue of **Tuoen** series products increased to HK$23,000,000 for the First Half of the Year from HK$16,500,000 for the Last Corresponding Period. Correspondingly, the overall gross profit margin of the company recorded a growth.

After the completion of the expansion and improvement constructions, Meng Sheng Pharmaceutical successfully obtained the New Version GMP certificate in China in January 2015, and its production and sales steadily recovered. Its revenue for the First Half of the Year amounted to HK$37,600,000, representing a substantial increase of 469.2% as compared with HK$6,600,000 for the Last Corresponding Period. Gross margin increased to 64.6% from 43.4% for the Last Corresponding Period.

Leveraging on the professional marketing teams and distribution network across major provinces and cities in China, Tianda Pharmaceuticals (China) Ltd. (Tianda Pharmaceuticals (China)) spent huge efforts to facilitate the market expansion for Meng Sheng Pharmaceutical. Alongside the restoration of the production and sales of Meng Sheng Pharmaceutical, Tianda Pharmaceuticals (China) recorded an operating profit of HK$2,200,000 in the First Half of the Year, which has made a turnaround from an operating loss of HK$1,200,000 recorded in the Last Corresponding Period.

Tianda Pharmaceuticals (Australia) and Tianda Pharmaceuticals (Hong Kong) Limited (Tianda Pharmaceuticals (Hong Kong)) recorded operating losses of approximately HK$2,700,000 and HK$2,000,000, respectively, as compared with the operating loss of HK$4,000,000 and HK$700,000 for the Last Corresponding Period. It is attributable to a greater marketing efforts from the two companies to expand the consumer markets for health products of **Herb Valley** series.

The administrative expenses of Tianda Pharmaceuticals in the First Half of the Year has decreased by 15.1% from HK$30,800,000 for the Last Corresponding Period to HK$26,200,000, which was mainly due to several indirect manufacturing costs being classified into the administrative expenses during the period of Meng Sheng Pharmaceutical's production suspension for Last Corresponding Period. These expenses were redistributed to the cost of sales, which resulted in an increase of Tianda Pharmaceuticals' distribution and sales expenditure from HK$21,500,000 for the Last Corresponding Period to HK$26,500,000 for the First Half of the Year.

Other income of Tianda Pharmaceuticals was HK$5,100,000 for the First Half of the Year, representing a decrease of 29.1% as compared with HK$7,200,000 for the Last Corresponding Period. Mainly due to the reductions in RMB deposit interest rate by People's Bank of China as well as the moderate depreciation of RMB during the First Half of the Year, the bank interest income of Tianda Pharmaceuticals for the First Half of the Year just amounted to HK$3,200,000 (Last Corresponding Period: HK$4,600,000). Concurrently, the R&D and production subsidies received by Meng Sheng Pharmaceutical from the government were approximately HK$450,000 for the First Half of the Year as compared with HK$1,360,000 for the Last Corresponding Period.

As a whole, the Company recorded a profit attributable to owners of the Company for the First Half of the Year of HK$2,800,000, equivalent to basic earnings per share of HK0.14 cent, as compared with a loss attributable to owners of the Company of HK$8,900,000 for the Last Corresponding Period, equivalent to the loss per share of HK0.48 cent.

Tianda Pharmaceuticals maintains a sound financial condition. As at 30 September 2015, its bank deposits and cash amounted to approximately HK$463,300,000 without external borrowings. Upon the allotment and issuance of new shares to Shanghai Pharmaceuticals Holding Co., Ltd (Shanghai Pharmaceuticals) in August 2015, the financial strength has been reinforced. The abundant cash position provides a solid support for future business expansion, investment development and capital operation of the Company.

Business Review

Influenced by the global macro economy change, the reform of China's pharmaceutical policies, the rise of operating costs and other factors, the competitions in the pharmaceutical industry have become far more intense with a slow-down growth as a whole. Tianda Pharmaceuticals has adopted various counter measures, including timely fine-tuning sales strategies, strengthening marketing force, increasing capital investment and proactively seeking collaboration and investment opportunities. During the period under review, Tianda Pharmaceuticals introduced Shanghai Pharmaceuticals as its second largest shareholder and a strategic partnership was formed. Both sides have been working closely in the areas of sales & marketing, R&D and capital investment, etc. To further expand business scope and enhance the investment return, Tianda Pharmaceuticals is also exploring collaboration with several international leading pharmaceutical companies. In the near term, the company is planning to invest in a number of R&D projects on oncology target therapy drugs.

Tianda Pharmaceuticals (Zhuhai)

Tianda Pharmaceuticals (Zhuhai) is the R&D and production base established by Tianda Pharmaceuticals in Zhuhai. With the management theme of "Innovation and Professionalism" and the GMP certification issued by TGA in Australia and the new GMP version in China, the company has conducted comprehensive training, implemented standardisation and automation by phases and strengthened innovative management standard. Altogether, this provides a stronger force for the future development of the company. During the period under review, several products (**Tuoen** Ibuprofen Suspension Drops, **Tuoping** Valsatan Capsules, Ambroxol HCl Syrup and Zhikang Granules, etc) have been listed in the latest version of the Pharmacopoeia of China. A new specification of **Tuoen** Ibuprofen Suspension Drops in 15ml was launched, offering a favourable ground for enlarging the market share of the same product series.

During the period under review, Valsatan Capsules, a cardio-cerebrovascular drug, obtained the invention patent right for 20 years in China, which will fuel the company's growth on a continuous basis. In addition, the company will expand its existing product portfolio according to the market demand by reinforcing its R&D capability, and speed up the projects on anti-diabetic drugs and anti-asthma drugs, etc, to enhance its future business development.

Meng Sheng Pharmaceutical

Meng Sheng Pharmaceutical is the R&D and production base established by Tianda Pharmaceuticals in Kunming. During the period under review, the new production line of lyophilised powder for injection, with the new version of GMP certification in China, has been in smooth operation. In August this year, it reached its designed production capacity of 35 million bottles per year, representing a 50% increase from the previous production capacity, thus satisfying the ever-increasing market demand. The on-going enhancement of internal management resulted in a remarkable improvement on product technicality. The product yield increased by 13.75% compared with its previous record, and the product quality is guaranteed. The new production line passed the onsite GMP audit in accordance with the EU Standard-based Ukrainian requirements. Upon the registration approval, the products can be exported to Ukraine and other European countries.

During the period under review, the company completed a laboratory experiment on Category 6 new drug research project on lyophilised powder for injection and another level of experiment is underway. Meanwhile, efforts have also been made to uplift the standard of Cerebroprotein Hydrolysate Small-dosage Injection.

Tianda Pharmaceutical (China)

Tianda Pharmaceuticals (China) is the sales center for mainland China established by Tianda Pharmaceuticals in Shenzhen. It is responsible for sales and marketing and brand building in the mainland China market. During the period under review, despite a slowdown in the pharmaceutical industry, the sales team managed to bring the flagship product, Cerebroprotein Hydrolysate for Injection, and its brand into full play, and ultimately achieved a recovery growth in sales. Facing the escalating pressure from competitive product bidding, the company had strengthened the marketing efforts on oral drugs in chain pharmacies and medical institutions and at the same time built up the two major brands, ie. **Tuoen** Ibuprofen series and **Tuoping** Valsatan Capsules, to maintain a steady sales growth. Moreover, the healthcare products under the brand of **Herb Valley** have started to enter the mainland China market and its **Super Manuka**, the natural honey product series, is quite well received among the domestic consumers. Its market potential is huge.

Tianda Pharmaceutical (Australia)

Tianda Pharmaceuticals (Australia) is the sales and marketing center for the South Pacific region established by Tianda Pharmaceuticals in Sydney, Australia. It is responsible for product development and sales in Australia, New Zealand and other South Pacific Region countries. During the period under review, the company timely revised its brand management and sales strategies and focused on the healthcare product series under **Herb Valley** to cater for the market needs. In addition to the existing distribution network, the company has progressively brought in new partnerships, such as Tong Ren Tang chain stores in Australia. At the same time, the company also made efforts to develop its overseas distribution channels, and the healthcare product series under **Herb Valley** made its debut in the Middle East market in September this year.

In response to the increasing demand of the consumers in China, the company will strive to develop new marketable products through new business models, such as e-commerce and internet marketing, in order to make a head start in the mainland China market.

Tianda Pharmaceuticals (Hong Kong)

Tianda Pharmaceuticals (Hong Kong) is the international sales and marketing center established by Tianda Pharmaceuticals in Hong Kong. It is responsible for the sales of pharmaceutical and healthcare products in Hong Kong, Macau, Taiwan as well as international markets. During the period under review, the company strived to develop the distribution channels of the healthcare product series under **Herb Valley** and established partnerships with Ganghuigou, O' Farm and Health Plus. Currently, the products have covered over 200 sales points across Hong Kong and Macau and they are expected to reach 500 sales points next year. The e-commerce platform named under **Herb Valley** (www.herbvalley.com) was launched in July this year and the O2O business model is in place. The company intends to roll out a series of marketing campaigns to further enhance its brand awareness in Hong Kong, Macau, Taiwan and overseas within a short period of time. Moreover, a great deal of sales efforts on Zhikang Granules and other pharmaceutical products in Hong Kong and Macau markets had been made and its initial result was quite good.

For the international markets, the sales of Cerebroprotein Hydrolysate for Injection in the Indian market reached a record high. Its registration has been completed in Georgia and almost completed in Ukraine.

Outlook

Tianda Pharmaceuticals will capitalise on the favourable policies and market opportunities, devising sales strategy adjustment on a timely basis, and maintaining dynamic and innovative sales models to boost up sales volume and brand awareness. Through in-house R&D and project collaboration, the company will continue to strengthen its product development capability and enrich its product portfolio. With internal management reinforcement and strict cost control measures, the company is committed to raising its efficiency and profitability.

Tianda Pharmaceuticals will continue to step up its collaboration efforts with strategic partners like Shanghai Pharmaceuticals to complement each other's advantages and achieve win-win situations. The company will deepen its cooperation with international leading pharmaceutical companies and enhance our own technicality level and competitiveness. The company will also increase the investment efforts to materialise various investment and collaboration projects, covering few oncology target therapy drugs and advanced international medical devices, etc., which are expected to offer better investment returns and become new growth drivers for achieving the mid-term objective of "Ten Billion with Centennial Growth" sooner.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 30 September 2015, the Group had cash and bank balances of approximately HK$463,300,000 (31 March 2015: HK$384,200,000), of which approximately 23.7% and 76.2% were denominated in Hong Kong dollar and RMB respectively with the remaining in Australian dollar, Euro and United States dollar. The Group has no external borrowings during the period under review. With this strong financial position, the Group has sufficient financial resources to meet its obligations and daily operational needs.

EXCHANGE RATE EXPOSURE

The Group's assets, liabilities and transactions are substantially denominated in Hong Kong dollar, RMB, United States dollar and Australian dollar.

The Group has sales and investments in foreign operations which use currencies other than its functional currency RMB. As such, the Group has some exposures to foreign currency risk. The management from time to time determines suitable measures, such as entering into forward currency contracts, to lessen exposure to exchange rate fluctuations in material transactions denominated in currencies other than RMB. The Group did not enter into any forward currency contracts to hedge its foreign currency risks as at 30 September 2015.

CHARGES ON ASSETS

As at 30 September 2015, the Company had pledged certain bank deposits (31 March 2015: Nil) in favour of a bank to secure bank facilities granted to the Company. The bank facilities were undrawn during the six months ended 30 September 2015.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2015, the Group employed approximately 439 employees in Hong Kong, the PRC and Australia. The Group remunerates its employees based on market terms the qualifications and experience of the employees concerned.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the CG Code) as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2015, with the exception of code provision A.2.1 of the CG Code for the period from 1 April 2015 to 2 August 2015.

Pursuant to code provision of A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated. Prior to 3 August 2015, Mr. Fang Wen Quan was the Chairman and the Managing Director. The board of directors (the Board) considered the business operation and the size of the Group and was of the view that Mr. Fang Wen Quan acting as both the Chairman of the Board and as the Managing Director was acceptable and in the best interest of the Group. However, in order to enhance the level of corporate governance, Mr. Fang Wen Quan ceased to act as the Managing Director, and Mr. Shi Shaobin, an executive Director, was appointed as the Managing Director with effect from 3 August 2015. Subsequent to the resignation of Mr. Fang Wen Quan and appointment of Mr. Shi Shaobin as Managing Director, the Company has complied with all the applicable code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors, they all confirmed that they had compiled with the Model Code throughout the six months ended 30 September 2015.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors and a non-executive Director. The audit committee has reviewed, together with the management of the Company and the Company's independent auditor, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the unaudited interim results of the Company for the six months ended 30 September 2015.

By order of the Board
Tianda Pharmaceuticals Limited
Fang Wen Quan
Chairman

Hong Kong, 27 November 2015

As at the date of this announcement, the executive Directors are Mr. FANG Wen Quan (Chairman), Mr. SHI Shaobin (Managing Director) , Mr. LIU Huijiang and Mr. LUI Man Sang, the non-executive Director is Mr. SHEN Bo and the independent non-executive Directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa.