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 2016

HIGHLIGHTS

In the First Half of the Year, the profit attributable to owners of the Company amounted to HK$11,500,000, significantly increased by 312.6% when compared with HK$2,800,000 in the Last Corresponding Period.

Affected by the depreciation of Renminbi, revenue for the First Half of the Year amounted to HK$93,900,000, which compared to HK$102,500,000, representing a decrease of 8.4%. Due to the Group adopts effective cost control measures, the net profit has been improved.

The Group's investment in ASLAN is paying off. Fair value gain on de-recognition of investments in redeemable convertible preference shares in ASLAN of HK$6,200,000 was recorded in the First Half of the Year.

The Group's financial position remains strong with bank balances and cash of approximately HK$385,900,000 at 30 September 2016 (31 March 2016: HK$394,300,000).

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 2016, together with comparative figures for the corresponding period in 2015. 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 2016, which have 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 2016

	NOTES	Six months ended 30 September **2016** **HK$** **(Unaudited)**	2015 HK$ (Unaudited)
Revenue	3	**93,853,493**	102,473,766
Cost of sales		**(37,118,857)**	(43,551,826)
Gross profit		**56,734,636**	58,921,940
Other income		**4,727,837**	3,763,051
Other gains and losses		**9,441,596**	602,133
Distribution and selling expenses		**(25,757,820)**	(26,539,028)
Administrative expenses		**(23,837,625)**	(26,183,611)
Research and development costs		**(593,125)**	(776,208)
Profit before tax		**20,715,499**	9,788,277
Income tax expense	4	**(4,022,134)**	(3,085,515)
Profit for the period	5	**16,693,365**	6,702,762
Other comprehensive expense			
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(109,391)**	(839,695)
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(22,894,458)**	(16,872,387)
Total comprehensive expense for the period		**(6,310,484)**	(11,009,320)
Profit for the period attributable to:			
Owners of the Company		**11,525,520**	2,793,354
Non-controlling interests		**5,167,845**	3,909,408
		16,693,365	6,702,762
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(10,529,565)**	(13,511,977)
Non-controlling interests		**4,219,081**	2,502,657
		(6,310,484)	(11,009,320)
		HK cent	*HK cent*
Basic earnings per share	7	**0.54**	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016

	NOTES	30 September 2016 HK$ (Unaudited)	31 March 2016 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**147,500,840**	155,195,155
Prepaid lease payments		**112,111,377**	117,379,136
Goodwill	9	**103,762,571**	106,926,467
Intangible assets	9	**51,976,147**	59,136,629
Deposit for acquisition of property, plant and equipment		**256,527**	423,517
Available-for-sale investment	10	**36,232,212**	–
Investments in redeemable convertible preference shares	10	**–**	30,072,784
		451,839,674	469,133,688
CURRENT ASSETS			
Inventories	11	**39,390,260**	41,681,095
Trade and bills receivables and other receivables	12	**54,776,223**	47,213,504
Prepaid lease payments		**3,728,134**	3,839,469
Bank deposits, bank balances and cash	13	**385,873,791**	394,301,141
		483,768,408	487,035,209
CURRENT LIABILITIES			
Trade and other payables	14	**61,970,984**	65,126,923
Government grants – current portion		**117,398**	120,904
Amount due to a related company	15(a)	**531,859**	1,323,935
Tax payable		**5,896,464**	6,896,286
Dividend payable to non-controlling shareholders		**–**	2,808,639
Dividend payable		**1,344,093**	–
		69,860,798	76,276,687
NET CURRENT ASSETS		**413,907,610**	410,758,522
TOTAL ASSETS LESS CURRENT LIABILITIES		**865,747,284**	879,892,210

	NOTES	30 September 2016 HK$ (Unaudited)	31 March 2016 HK$ (Audited)
NON-CURRENT LIABILITIES			
Government grants – non-current portion		**831,572**	916,858
Deferred tax liabilities		**30,299,160**	32,241,599
		31,130,732	33,158,457
NET ASSETS		**834,616,552**	846,733,753
CAPITAL AND RESERVES			
Share capital		**215,063,588**	215,063,588
Reserves		**582,348,415**	598,684,697
Equity attributable to owners of the Company		**797,412,003**	813,748,285
Non-controlling interests		**37,204,549**	32,985,468
TOTAL EQUITY		**834,616,552**	846,733,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 (the 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016. In addition, the Group applied the amendments to Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA and accounting policies as described below in the preparation of the condensed consolidated financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit of loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

In the current interim period, the Group has adopted, for the first time, all the amendments to the HKFRSs issued by the HKICPA which are mandatorily effective for the current interim period.

The application of the 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. No revenue by products and geographical location, operating results and other discrete financial information relating to major products is prepared regularly for internal reporting to the CODM for resources and performance assessment. The CODM reviews the financial performance of pharmaceutical and biotechnology business as a whole for allocating resources and assessing performance. In addition, the CODM monitors the Group's assets and liabilities as a whole, 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	
	2016	2015
	HK$	*HK$*
	(Unaudited)	(Unaudited)
REVENUE – EXTERNAL	**93,853,493**	102,473,766
SEGMENT PROFIT	**13,348,441**	10,251,760
Other income	**1,462,229**	2,654,863
Other gains and losses	**10,121,332**	455,362
Unallocated expenses	**(8,238,637)**	(6,659,223)
Profit for the period	**16,693,365**	6,702,762

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit represents the profit 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

	Six months ended 30 September	
	2016	2015
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China (PRC) enterprise income tax	**(5,091,059)**	(4,416,317)
PRC withholding tax on dividends distributed by a subsidiary in the PRC	**–**	(3,424,397)
Deferred tax:		
Current period	**1,068,925**	4,755,199
	(4,022,134)	(3,085,515)

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 Pharmaceutical (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 2016.

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 FOR THE PERIOD

	Six months ended 30 September	
	2016	2015
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**4,588,198**	4,757,788
Amortisation		
– intangible assets	**5,609,752**	5,966,188
– prepaid lease payments	**1,867,136**	1,572,001
Write off of intangible assets	**–**	8,775
Loss on disposal of property, plant and equipment	**29,245**	639,845
Fair value gain on de-recognition of investments in redeemable convertible preference shares (included in other gains and losses)	**(6,159,428)**	–
Bank interest income (included in other income)	**(2,642,162)**	(3,184,460)
Net foreign exchange (gain) loss (included in other gains and losses)	**(1,405,964)**	101,492
Investment gains from foreign exchange linked investments (included in other gains and losses)	**(1,905,449)**	(1,352,245)
Release of government grants in relation to certain assets (included in other income)	**(58,796)**	(62,641)

6. DIVIDENDS

The directors of the Company resolved not to declare any interim dividends for both periods.

A final dividend of HK$5,806,717 (HK0.27 cent per share) in respect of the year ended 31 March 2016 was approved at the annual general meeting of the Company held on 18 August 2016. The aggregate amount of the said final dividend which was paid/payable to the shareholders of the Company in the current interim period amounted to HK$5,806,717. No final dividend in respect of the year ended 31 March 2015 was proposed by the directors of the Company.

7. BASIC EARNINGS PER SHARE

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

	Six months ended 30 September 2016 HK$ (Unaudited)	2015 HK$ (Unaudited)
Earnings		
Profit for the period attributable to the owners of the Company	**11,525,520**	2,793,354
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**2,150,635,884**	1,949,828,114

No diluted earnings 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$1,354,709 (six months ended 30 September 2015: HK$2,544,508).

9. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS

Goodwill

	Meng Sheng Pharmaceutical *HK$*	**Tianda Pharmaceuticals (Zhuhai)** *HK$*	**Tianda Pharmaceuticals (Australia)** *HK$*	**Total** *HK$*
COST				
At 1 April 2015 (audited)	6,699,306	102,776,428	2,139,755	111,615,489
Exchange realignment	(277,012)	(4,413,788)	1,778	(4,689,022)
At 31 March 2016 and 1 April 2016 (audited)	6,422,294	98,362,640	2,141,533	106,926,467
Exchange realignment	(186,230)	(2,967,000)	(10,666)	(3,163,896)
At 30 September 2016 (unaudited)	**6,236,064**	**95,395,640**	**2,130,867**	**103,762,571**

Intangible assets

	Trademark		Licenses and permits		Total	
	30 September 2016	31 March 2016	**30 September 2016**	31 March 2016	**30 September 2016**	31 March 2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Tianda Pharmaceuticals (Zhuhai)	**–**	–	**45,664,585**	52,561,023	**45,664,585**	52,561,023
Tianda Pharmaceuticals (Australia)	**5,526,088**	5,553,746	**785,474**	1,021,860	**6,311,562**	6,575,606
	5,526,088	5,553,746	**46,450,059**	53,582,883	**51,976,147**	59,136,629

The goodwill and intangible assets has been allocated to three (31 March 2016: 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 5-year period and a pre-tax discount rate of 12.66% (31 March 2016: 12.66%) 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 of the Company 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 10-year period and a pre-tax discount rate of 13.66% (31 March 2016: 13.66%) for Tianda Pharmaceuticals (Zhuhai). Cash flow beyond the 10-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 of the Company 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 5-year period and a pre-tax discount rate of 15.67% (31 March 2016: 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 of the Company 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.

10. AVAILABLE-FOR-SALE INVESTMENT/INVESTMENTS IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 1 December 2015, a wholly-owned subsidiary of the Company entered into an investment agreement to subscribe for 2,058,942 Series C Convertible Preference Shares of ASLAN Pharmaceuticals Limited (ASLAN) (the ASLAN Preference Shares), a company incorporated in the Cayman Islands, with an aggregate investment cost of US$3,870,811, equivalent to HK$30,072,784. The investee is principally engaged in an oncology focused biotechnology and developing a portfolio of immunotherapies and targeted drugs, focusing on Asia prevalent tumour types. It has developed several oncology focused drugs and one of the major drugs is currently under new drug application process Phase 2a which governed by the Food and Drug Administration in United States.

The ASLAN Preference Shares would be either (i) convertible into ordinary shares of ASLAN at the option of the Company, subject to the approval by the directors of ASLAN or (ii) automatically converted into ordinary shares of ASLAN upon listing of ASLAN on a recognised stock exchange which values ASLAN with a market capitalisation of at least a certain specified amount. The ASLAN Preference Shares are redeemable by the Company after 9 October 2019 at 100% repayable and will bear interest at 8% per annum from 1 December 2015 to the date of redemption.

The fair value estimates of the conversion option component is correlated with the unquoted equity instrument of which the fair value cannot be reliably measured, thus, such conversion option cannot be reliably measured and the entire investment is treated as held for trading. Further, the directors of the Company are of the opinion that the equity component of the investment is significant and accordingly, such held for trading investment is measured at cost less impairment, if any, as at 31 March 2016.

Pursuant to an extraordinary general meeting of ASLAN held on 27 May 2016, all the ASLAN Preference Shares held by the Group has been converted into the ordinary shares of ASLAN. Pursuant to another ordinary resolution passed by the shareholders of ASLAN held on 27 May 2016, a share subdivision was approved and effective on 27 May 2016. Each of the existing issued and unissued ordinary shares of ASLAN was subdivided into two subdivided ordinary shares of ASLAN (ASLAN Subdivided Ordinary Share(s)) at par value of NTD10 each. Accordingly, the carrying amount of the investment in ASLAN Subdivided Ordinary Shares (which accounted for 3.56% equity interest in ASLAN) was redesignated as the available-for-sale investment to the Group on 27 May 2016, based on the fair value of ASLAN Subdivided Ordinary Shares at the date of conversion, by reference to 19,667,000 ASLAN Subdivided Ordinary Shares issued and allotted to new investors at subscription price of US$1.13 per share on 27 May 2016. The difference between the fair value of ASLAN Subdivided Ordinary Shares recognised by the Group as available-for-sale investments and the cost of ASLAN Preference Shares is recognised as other gains upon the conversion.

The available-for-sale investment is measured at cost less impairment losses, if any, at the end of reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of opinion that its fair value cannot be subsequently measured reliably.

11. INVENTORIES

	30 September 2016 HK$ (Unaudited)	31 March 2016 HK$ (Audited)
Raw materials	**10,158,936**	9,682,824
Work in progress	**5,730,337**	6,351,499
Finished goods	**23,500,987**	25,646,772
	39,390,260	41,681,095

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 net of allowance for doubtful debts is presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 September 2016 HK$ (Unaudited)	31 March 2016 HK$ (Audited)
Trade and bills receivables		
Within 60 days	**23,368,046**	21,286,957
61 – 90 days	**4,115,610**	5,995,274
Over 90 days	**9,361,426**	15,048,776
	36,845,082	42,331,007
Prepayments to suppliers	**1,380,534**	472,776
Other receivables, deposits and prepayments *(Note)*	**16,550,607**	4,409,721
	54,776,223	47,213,504

Note:

During the current interim period, the Group incurred certain group restructuring expenses of RMB10,861,640 (equivalent to HK$12,751,397) in which its controlling shareholder of the Company, Tianda Group Limited, agreed to undertake the full amount. The amount is unsecured, non-interest bearing and expected to be fully recoverable on or before 31 March 2017.

13. BANK DEPOSITS, BANK BALANCES AND CASH

The bank deposits, which comprise short-term fixed deposits with original maturity of 1 to 3 months (31 March 2016: 1 to 3 months), carry market interest rates ranging from 0.01% to 2.45% (31 March 2016: 0.01% to 4.30%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.35% (31 March 2016: 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 2016	31 March 2016
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade payables		
Within 60 days	**7,071,653**	6,448,290
61 – 90 days	**2,715,972**	3,947,367
Over 90 days	**4,251,747**	5,964,252
	14,039,372	16,359,909
Deposits received from customers	**5,402,017**	4,158,463
Value added tax and other tax payables	**2,611,379**	3,030,103
Other payables and accrued staff costs	**39,918,216**	41,578,448
	61,970,984	65,126,923

15. RELATED PARTY DISCLOSURES

(a) The Group had the following significant balances with its related parties:

(i) Amount due to a related company

	30 September 2016	31 March 2016
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade balances	**531,859**	1,323,935

The 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 amount as at 30 September 2016 and 31 March 2016 are aged within 90 days. The amount is unsecured, non-interest bearing and with credit term within 90 days.

(ii) During the current interim period, the Group incurred certain group restructuring expenses of RMB10,861,640 (equivalent to HK$12,751,397) in which its controlling shareholder of the Company, Tianda Group Limited, agreed to undertake the full amount. The amount, which is included in other receivables, is unsecured, non-interest bearing and expected to be fully recoverable on or before 31 March 2017.

(b) During the current interim period, the Group entered into the following transactions with the related company:

Name of related company	Nature of transaction	**Six months ended 30 September 2016** *HK$* **(Unaudited)**	2015 *HK$* (Unaudited)
Zhuhai S.E.Z. Cheng Cheng Printing Co. Ltd. (Cheng Cheng) *(Note (i))*	Purchases	**1,679,598**	2,205,633
雲南利諾生物技術有限公司 (雲南利諾) *(Note (ii))*	Sales supportive expenses	**562,928**	–
天大實業(中國)有限公司 (天大實業(中國)) *(Note (iii))*	Office rental expenses	**284,508**	–

Notes:

(i) The amount represents purchases of packaging and printing products from Cheng Cheng, a fellow subsidiary of the Company.

(ii) The amount represents sales services expenses payable to 雲南利諾, a non-controlling shareholder of Meng Sheng Pharmaceutical, for the provision of sale-supportive and consultancy services.

(iii) The amount represents the office rental expenses paid to 天大實業(中國), a fellow subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to research and development, manufacture and sales of pharmaceutical, biotechnology and healthcare products. Headquartered in Hong Kong, Tianda Pharmaceuticals has set up its sales and distribution centres in Shenzhen and Sydney, and established two pharmaceutical R&D and production bases in Zhuhai and Kunming, with products covering cardio-cerebrovascular drugs, paediatric drugs, anti-flu and respiratory system drugs, anti-infection drugs, detoxification agents and other pharmaceutical products, as well as healthcare products under the self-owned brand ***Herb Valley*** and others. Most of these products have been listed in China's "National Basic Medical Insurance Drugs Catalogue" and "National Essential Drugs Catalogue."

Given the background of further expansion in the market scale of the global pharmaceutical industry and great efforts made on the development of Chinese medicines in China, the Group has focused on cardio-cerebrovascular drugs and paediatric drugs, and actively developed the markets for YI AN Decoction, an exclusive Chinese medicine-based detoxification agent, ZhiKang Granules, a Chinese medicine-based lipid control drug, as well as Qi-Shangzhen Oral Solution, a healthcare product which is primarily made of the Chinese herb, Panax Notoginseng.

FINANCIAL REVIEW

During the six months ended 30 September 2016 (First Half of the Year/Reporting Period), the Group recorded a consolidated revenue from the main business amounted to approximately HK$93,900,000, representing a year-on-year decrease of 8.4% as compared with approximately HK$102,500,000 for the six months ended 30 September 2015 (the Last Corresponding Period). Gross profit decreased approximately 3.7% from HK$58,900,000 for the Last Corresponding Period to HK$56,700,000. As a result of costs saving by means of efficiency and effectiveness enhancement to improve the Group's profitability, as well as a fair value gain on investment in ASLAN amounted to HK$6,200,000 was recorded, the profit after tax of the Group increased 149.1% from HK$6,700,000 for the Last Corresponding Period to HK$16,700,000 in the First Half of the Year.

In the First Half of the Year, the depreciation of Renminbi (RMB) against Hong Kong dollar during the period was more than 6%. Since the sales of Tianda Pharmaceuticals (Zhuhai) Ltd (Tianda Pharmaceuticals (Zhuhai)) and Yunnan Meng Sheng Pharmaceutical Co., Ltd (Meng Sheng Pharmaceutical), both of which are subsidiaries of the Group, are settled in RMB, the amount would be directly affected by RMB depreciation when the sales were converted into Hong Kong dollars, the presentation currency of the Company. If excluded the factor of RMB depreciation, the sales of the Group decreased slightly by 2.5% in the First Half of the Year.

Sales revenue of Tianda Pharmaceuticals (Zhuhai) decreased by 9.3% from HK$63,700,000 for the Last Corresponding Period to HK$57,800,000 and if excluded the factor of RMB depreciation, decreased by approximately 3.4%. Due to effective cost control measures, the gross profit margin of Tianda Pharmaceuticals (Zhuhai) increased from 65.5% for the Last Corresponding Period to 66.2% in the First Half of the Year as well.

Sales revenue of Meng Sheng Pharmaceutical decreased by 6.5% from HK$37,600,000 for the Last Corresponding Period to HK$35,100,000 in the First Half of the Year and if excluded the factor of RMB depreciation, sales amount maintained a similar level. Sales revenue from its flagship product, namely Cerebroprotein Hydrolysate Injection, declined to HK$30,800,000 in the First Half of the Year from HK$33,800,000 for the Last Corresponding Period. Gross profit margin of Meng Sheng Pharmaceutical rose from 64.6% for the Last Corresponding Period to 71.8% in the First Half of the Year.

Selling and distribution expenses decreased by approximately 2.9% from HK$26,500,000 for the Last Corresponding Period to HK$25,800,000 in the First Half of the Year. Meanwhile, administrative expenses decreased by approximately 9.0% from HK$26,200,000 for the Last Corresponding Period to HK$23,800,000. Due to the RMB depreciation during the period, the administrative expenses of subsidiaries in China declined alongside.

As a whole, profit attributable to owners of the Company significantly increased by 312.6% to HK$11,500,000 in the First Half of the Year, equivalent to basic earnings per share of HK0.54 cent, as compared to profit attributable to owners of the Company for the Last Corresponding Period of HK$2,800,000, representing earnings per share of HK0.14 cent. The Group maintained a stable and strong financial position. As at 30 September 2016, the Group's bank deposits, bank balances and cash amounted to approximately HK$385,900,000 without record of external borrowings.

BUSINESS REVIEW

Guided by "Three Top Levels" (recruitment of top level professionals, R&D of top level pharmaceutical products and allying with top level partners), the Group continued to promote its annual management theme of "Efficiency and Effectiveness" and strengthened marketing efforts, so as to maintain stable growth, and ultimately achieve the yearly operational objectives.

- The Group studied bidding policies of different places in the PRC, responded to the national reforms of "B2V" system and "two-invoice" system actively, consolidated academic platforms for the existing products, expanded an authoritative expert network and strengthened academic promotion of major products.

- The Group made efforts to facilitate the product distribution channels in the PRC and enlarged the market share of major products; capitalized on the growth potential of existing products through adding new product specifications and optimizing product structure; standardized channels and prices, implemented promotional strategies focusing on controlled sales, built sales teams individually and collectively as well as increased efforts on the development of chain pharmacies and clinics.

- The Group organized Sino-Indian academic symposiums on brain trauma and invited famous neurosurgeons from India to Hong Kong and Guangzhou. Through transnational academic exchange, the Group enlarged its market share in India and gained experience in international marketing.

- Sales of Cerebroprotein Hydrolysate Injection, a cardio-cerebrovascular drug, continued to grow and its bidding prices in certain key markets were quite satisfactory. Ibuprofen Suspension, a paediatric drug, got listed in the "Direct Online Pricing Catalogue of Drugs for Gynecological and Pediatric Use and Emergency Medicines" for the State and various provinces. The tender success rate for other products including Ambroxol HCI, Dex-pseud-Chlorpeniramine, ZhiKang Granules, Aceglutamide etc., was high, serving as a new growth driver which benefited the sales of OTC as a whole.

- In this August, the Group opened up its upstream and downstream resources through reactiving the idle approval documents and relaunched Qi-Shangzhen Oral Solution, which is primarily made of the Chinese herb, Panax Notoginseng, in the PRC market and has recorded encouraging sales. Moreover, innovative measures such as conference marketing etc., which were adopted to promote honey product series under the brand of ***Herb Valley***, helped take the products to a new horizon.

- The Group continued to expand its sales channels with physical chain stores, e-commerce and overseas purchasing. In addition to manuka honey, healthcare products and personal care products under its self-owned brand of ***Herb Valley***, the Group introduced other sought-after healthcare products into the market, including turmeric, melatonin and chia seed oil, in order to get a head start in Hong Kong, Macau and overseas markets.

- The Group implemented standardized management of pharmaceutical production and spared no effort to quality assurance and cost control; sped up technological transformation, improved automation, reduced cost and improved efficiency; increased frequency of self-examination on GMP and further improved the quality of products. Meng Sheng Pharmaceutical's production base passed the onsite scrutiny from its Indian partner while Tianda Pharmaceuticals (Zhuhai)'s production base would have its eighth certificate authentication conducted by the Therapeutic Goods Administration of Australia, which is expected to pass smoothly.

- The Group streamlined its R&D team and facilitated consistency evaluation on generic medicines and new drug research in an orderly manner. Cerebroprotein Hydrolysis Injection successfully passed the new quality trial standards mandated by the authority. The Group stepped up efforts to conduct research on paediatric drugs and selected some drugs from "the first batch of paediatric drugs which are encouraged to conduct R&D and register" issued by the China Food and Drug Administration for further evaluation.

- ASLAN, the Singaporean company invested by the Group, has made smooth progress. During the reporting period, ASLAN001, a type of drugs under research by ASLAN, received second orphan drug designation (for gastric cancer) from the U.S. Food and Drug Administration (FDA). The global pharmaceutical leader, Bristol-Myers Squibb, acquired the rights of ASLAN002, a type of drugs under research by ASLAN, in China, Australia, Korea, Taiwan and other Asian countries. In addition, ASLAN was granted license of a novel immuno-oncology antibody, targeting RON (Recepteur d'Origine Nantais), from Singapore's Agency for Science, Technology and Research (A*STAR), which ASLAN will develop and commercialize worldwide. The Group expects that ASLAN will generate considerable investment return for the Group in 2017.

- The Group pushed ahead with its business development. During the reporting period, the Group conducted feasibility studies and negotiations for several domestic and overseas projects, and the relevant work is underway.

- The Group had conducted internal group restructure so that we could focus on utilizing the benefit of resources further and achieve the strategic target of developing pharmaceutical business. In the meantime, the construction plan of the new R&D and pharmaceutical production base for Tianda Pharmaceuticals (Zhuhai) also has commenced on schedule.

OUTLOOK

The Group will pay close attention to the national strategies and initiatives for encouraging the development of Chinese medicine and healthcare industry, explore its strengths and potential, grasp opportunities ahead of others and speed up development so as to realize the phased business objective of "Ten Billion with Centennial Growth" in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 30 September 2016, the Group had cash and bank balances of approximately HK$385,900,000 (31 March 2016: HK$394,300,000), of which approximately 27.8% and 72.0% 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 risks. 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 2016.

CHARGES ON ASSETS

As at 30 September 2016 and 31 March 2016, the Company had pledged certain bank deposits 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 2016 and the year ended 31 March 2016.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2016, the Group employed approximately 424 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) during the six months ended 30 September 2016.

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 of the Company, they all confirmed that they had compiled with the Model Code throughout the six months ended 30 September 2016.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company 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 2016.

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

Hong Kong, 25 November 2016

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