天大藥業有限公司
TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

– Revenue for the year amounted to HK$195,500,000, representing an increase of 1.4% from HK$192,800,000 in FYE2016.

– Tianda Pharmaceuticals has made a profit for the year attributable to owners of the Company amounted of HK$12,400,000, significantly increased by 89.4% when compared with HK$6,600,000 for the FYE2016.

– The Board of Directors has recommended the payment of a final dividend of HK0.57 cent per share (FYE2016: HK0.27 cent per share).

The Board of Directors of Tianda Pharmaceuticals Limited (the Company) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the Group) for the year ended 31 March 2017, together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	2017 HK$	2016 HK$
Revenue	4	**195,538,964**	192,784,764
Cost of sales		**(75,523,883)**	(82,055,628)
Gross profit		**120,015,081**	110,729,136
Other income		**7,285,274**	7,181,771
Other gains and losses		**8,010,282**	2,916,026
Distribution and selling expenses		**(49,358,441)**	(51,084,727)
Administrative expenses		**(50,177,531)**	(50,103,851)
Research and development costs		**(3,024,947)**	(1,213,485)
Profit before tax		**32,749,718**	18,424,870
Income tax expense	5	**(7,997,122)**	(5,057,622)
Profit for the year		**24,752,596**	13,367,248
Other comprehensive (expense) income for the year			
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(117,708)**	332,148
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(43,962,764)**	(33,830,429)
Total comprehensive expense for the year		**(19,327,876)**	(20,131,033)
Profit for the year attributable to:			
Owners of the Company		**12,442,265**	6,568,591
Non-controlling interests		**12,310,331**	6,798,657
		24,752,596	13,367,248
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(29,619,386)**	(24,874,283)
Non-controlling interests		**10,291,510**	4,743,250
		(19,327,876)	(20,131,033)
		HK cent	*HK cent*
Basic earnings per share	6	**0.58**	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	NOTES	2017 HK$	2016 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**139,284,183**	155,195,155
Prepaid lease payments		**107,201,666**	117,379,136
Goodwill		**98,714,465**	106,926,467
Intangible assets		**41,035,718**	59,136,629
Deposit for acquisition of property, plant and equipment		**189,497**	423,517
Available-for-sale investments	7	**36,232,212**	–
Investments in redeemable convertible preference shares		**–**	30,072,784
		422,657,741	469,133,688
CURRENT ASSETS			
Inventories		**35,431,963**	41,681,095
Trade and bills receivables and other receivables	8	**43,088,782**	47,213,504
Prepaid lease payments		**3,625,143**	3,839,469
Bank deposits, bank balances and cash		**399,316,081**	394,301,141
		481,461,969	487,035,209
CURRENT LIABILITIES			
Trade and other payables	9	**54,692,011**	65,126,923
Government grants – current portion		**114,155**	120,904
Amount due to a related company	10(a)	**1,058,410**	1,323,935
Tax payable		**8,107,925**	6,896,286
Dividend payable to non-controlling shareholders		**–**	2,808,639
		63,972,501	76,276,687
NET CURRENT ASSETS		**417,489,468**	410,758,522
TOTAL ASSETS LESS CURRENT LIABILITIES		**840,147,209**	879,892,210

	NOTES	2017 HK$	2016 HK$
NON-CURRENT LIABILITIES			
Government grants – non-current portion		**751,522**	916,858
Deferred tax liabilities		**26,431,976**	32,241,599
		27,183,498	33,158,457
NET ASSETS		**812,963,711**	846,733,753
CAPITAL AND RESERVES			
Share capital		**215,063,588**	215,063,588
Reserves		**563,258,594**	598,684,697
Equity attributable to owners of the Company		**778,322,182**	813,748,285
Non-controlling interests		**34,641,529**	32,985,468
TOTAL EQUITY		**812,963,711**	846,733,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (SEHK). Its parent company and ultimate holding company is Tianda Group Limited (Tianda Group), a private limited company incorporated in Hong Kong, which is ultimately controlled by Mr. Fang Wen Quan.

The functional currency of the Company is Renminbi (RMB). As the shares of the Company are listed in the SEHK, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong Dollar (HK$), the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the HKICPA) for the first time in the current year:

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

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014 – 2016 Cycle[5]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considerations[1]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

In May 2015, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have material impact on the timing and amounts of revenue recognised in the respectively reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$2,729,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practical to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company do not expect the application of the other new and amendments to HKFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements or future financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the Listing Rules) and by the Hong Kong Companies Ordinance.

4. 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. Other than the revenue analysis as set out in note 4(d), no operating results and other discrete financial information relating to major products is prepared regularly for internal reporting to the CODM for resources allocation 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.

(a) Segment revenue and results

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

	2017	2016
	HK$	*HK$*
REVENUE – EXTERNAL	**195,538,964**	192,784,764
SEGMENT PROFIT	**31,166,921**	21,172,470
Other income	**2,662,846**	5,110,938
Other gains and losses	**7,621,134**	2,537,681
Unallocated expenses	**(16,698,305)**	(15,453,841)
Profit for the year	**24,752,596**	13,367,248

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 the segment without allocation of central administration costs, directors' salaries, 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.

(b) Geographical information

The Group principally operates in the People's Republic of China (the PRC) (country of domicile), Hong Kong and Australia.

The following table provides an analysis of the Group's sales by geographical market based on the location of operations irrespective of the origin of goods/services.

The Group's revenue from external customers and information about its non-current assets (exclude financial assets) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*
The PRC	**193,682,020**	189,725,333	**382,686,331**	428,068,831
Hong Kong	**1,391,342**	1,079,635	**2,022,442**	2,493,379
Australia	**465,602**	1,979,796	**1,716,756**	8,498,694
	195,538,964	192,784,764	**386,425,529**	439,060,904

(c) Information about major customer

No major customer has been accounted for 10% or more of the Group's revenue for both reporting periods.

(d) Revenue from major products

	2017	2016
	HK$	*HK$*
Pharmaceutical, biotechnology and healthcare products		
– Cerebroprotein hydrolysate injection	**67,435,162**	57,602,903
– Tuoping (Valsartan capsules)	**54,376,077**	57,543,419
– Tuoen (Ibuprofen suspension and drops)	**36,985,769**	39,204,960
– Others	**36,741,956**	38,433,482
	195,538,964	192,784,764

5. INCOME TAX EXPENSE

	2017	2016
	HK$	*HK$*
Current tax:		
PRC enterprise income tax (PRC EIT)	**10,797,465**	7,271,362
Withholding tax	**1,063,408**	3,755,082
	11,860,873	11,026,444
Underprovision in prior years:		
PRC enterprise income tax	**309,001**	1,017,764
Deferred tax:		
Current year	**(4,172,752)**	(6,986,586)
	7,997,122	5,057,622

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 years. 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 years.

The tax rate of the PRC subsidiaries of the Group is 25%, except Yunnan Meng Sheng Pharmaceutical Co., Limited (Meng Sheng Pharmaceutical) and Tianda Pharmaceuticals (Zhuhai) Limited (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 years. 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 2018.

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 years. No provision for the Australian income tax has been provided as the Group had no taxable profit arising in Australia for both years.

6. EARNINGS PER SHARE

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

	2017	2016
	HK$	*HK$*
Earnings		
Earnings for the purpose of basic earnings per share	**12,442,265**	6,568,591
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	**2,150,635,884**	2,050,231,999

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

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

	2017	2016
	HK$	*HK$*
Available-for-sale investments	**36,232,212**	–
Series C Preference Shares in ASLAN Pharmaceuticals Limited (ASLAN)	**–**	30,072,784

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 (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 addressing multiple indications including biliary tract cancer, gastric cancer and breast cancer. It has several compounds in late stage development: varlitinib (ASLAN001), a pan-HER inhibitor which has completed phase 2 studies in gastric cancer, and is entering pivotal studies for biliary tract cancer; and ASLAN002 is currently in phase 2 development for gastric and breast cancer.

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 would be redeemable by ASLAN after 27 November 2021 at 100% repayable and would 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 was 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 were 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 (the ASLAN Subdivided Ordinary Share(s)) at par value of New Taiwan Dollar (NTD) 10 each. Accordingly, the carrying amount of the ASLAN Preference Shares (which accounted for 3.56% equity interest in ASLAN) re-designated as the available-for-sale investment to the Group on 27 May 2016 based on the fair value of ordinary shares of ASLAN at the date of conversion, by reference to 19,667,000 new ordinary shares issued and allotted to pre-IPO investors at subscription price of US$1.13 per new ordinary 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 convertible preference shares of HK$6,159,428 are recognised as other gains upon the conversion.

The available-for-sale investments are 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 measured reliably.

Pursuant to the announcement of ASLAN on 24 May 2017, ASLAN has successfully concluded an initial public offering to the Taipei Exchange (TPEx) and its shares commence trading on TPEx on 1 June 2017.

8. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES

	2017	2016
	HK$	*HK$*
Trade and bills receivables	**38,749,127**	42,331,007
Prepayments to suppliers	**1,388,766**	1,851,932
Other receivables, deposits and prepayments	**2,950,889**	3,030,565
	43,088,782	47,213,504

The Group allows average credit periods ranging from 60 to 180 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$	*HK$*
Within 60 days	**26,540,492**	21,286,957
61 – 90 days	**3,105,424**	5,995,274
Over 90 days	**9,103,211**	15,048,776
	38,749,127	42,331,007

Included in the carrying value of trade and bills receivables as at 31 March 2017 is bills receivables of HK$23,050,596 (2016: HK$27,264,979).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits of each customer. Limits attributed to customers are reviewed once a year. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of HK$295,026 (2016: HK$202,926) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

The Group does not hold any collateral over these balances. The average age of these receivables is as follows:

Aging of trade receivables which are past due but not impaired

	2017	2016
	HK$	*HK$*
61 – 90 days	**106,225**	69,333
Over 90 days	**188,801**	133,593
	295,026	202,926

The Group's trade and bills receivables and other receivables denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017	2016
	HK$	*HK$*
HK$	**1,807,731**	413,906

9. TRADE AND OTHER PAYABLES

	2017	2016
	HK$	*HK$*
Trade payables	**11,262,460**	16,359,909
Deposits received from customers	**4,636,645**	4,158,463
Value added tax and other tax payables	**4,656,706**	3,030,103
Other payables and accrued staff costs	**34,136,200**	41,578,448
	54,692,011	65,126,923

The average credit period on purchases of goods is 60 to 90 days. The aging analysis of trade payables presented is based on the invoice date at the end of the reporting period. The following is an analysis of the Group's trade payables at the end of the reporting period:

	2017	2016
	HK$	*HK$*
Within 60 days	**7,193,404**	6,448,290
61 – 90 days	**2,464,244**	3,947,367
Over 90 days	**1,604,812**	5,964,252
	11,262,460	16,359,909

Included in the trade payables at 31 March 2017, HK$4,151,971 (2016: HK$7,201,064) has been paid by endorsed bills for which the maturity date has not yet fallen due as at 31 March 2017.

10. RELATED PARTY DISCLOSURES

(a) Amount due to a related company

	2017	2016
	HK$	*HK$*
Trade balances	**1,058,410**	1,323,935

As at 31 March 2017, the Group's amount due to a related company, Zhuhai S.E.Z. Cheng Cheng Printing Co. Ltd. (Cheng Cheng) which is a fellow subsidiary of the Company, is trading in nature, arising from purchase of packaging materials for pharmaceuticals and biotechnological products. The whole amount as at 31 March 2017 and 2016 are aged within 90 days. The amount is unsecured, non-interest bearing and with credit term within 90 days.

(b) During the year, the Group entered into the following transactions with related companies:

Name of related company	Notes	**Nature of transactions**	**2017**	2016
			HK$	*HK$*
Cheng Cheng	(i)	Purchases	**2,749,271**	3,625,132
雲南利諾生物技術有限公司 (雲南利諾)	(ii)	Sales supportive expenses	**1,153,704**	963,509
雲南利諾	(iii)	Technical service fees	**–**	2,382,220
天大實業（中國）有限公司	(iv)	Office rental expenses	**557,993**	–

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 supportive 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 represented fee paid to 雲南利諾 for its provision technical services during the application of the New GMP Version certificate.

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

(c) During the current year, the Group incurred and paid a PRC EIT of RMB10,861,640 (equivalent to HK$12,751,397) to the relevant PRC tax authority as a result of a change of shareholder of Tianda Pharmaceuticals (Zhuhai), an indirect wholly-owned subsidiary to another indirectly wholly-owned subsidiary of the Company. On 26 November 2016, a Memorandum of Understanding has been entered into between the Company and Tianda Group, the Company's controlling shareholder in which Tianda Group has agreed to undertake the said PRC EIT and the amount has been received by the Company during the year ended 31 March 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement of results have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement of results.

FINANCIAL REVIEW

During the financial year ended 31 March 2017 (the Current Financial Year/FYE 2017), the Group recorded a consolidated revenue of HK$195,500,000 from its core business, representing a year-on-year increase of 1.4% as compared with HK$192,800,000 for the financial year ended 31 March 2016 (the FYE 2016). Gross profit increased by 8.4% from HK$110,700,000 for FYE 2016 to HK$120,000,000. Gross profit margin increased substantially from 57.4% for FYE 2016 by 4.0 percent points to 61.4%.

Sales revenue of Meng Sheng Pharmaceutical increased by 18.7% from HK$65,500,000 for FYE 2016 to HK$77,800,000 for the Current Financial Year. If the impact of Renminbi (RMB) depreciation was excluded, the sales revenue should have been increased by 26.3%. Sales revenue from its flagship product, namely Cerebroprotein Hydrolysate Injection, increased from HK$57,600,000 for FYE 2016 to HK$67,400,000 for the Current Financial Year. Gross profit margin of Meng Sheng Pharmaceutical rose from 65.9% for FYE 2016 to 72.5% for the Current Financial Year.

Sales revenue of Tianda Pharmaceuticals (Zhuhai) decreased by 6.7% from HK$123,900,000 for FYE 2016 to HK$115,600,000 for FYE 2017. During the Current Financial Year, RMB depreciated against Hong Kong dollar by more than 6%. As a result, the sales amount would be directly affected by RMB depreciation when it was translated into Hong Kong dollar, the presentation currency of the Company. If the impact of RMB depreciation was excluded, it should have been decreased by 0.8% only. Given the implementation of effective cost control measures, the gross profit margin of Tianda Pharmaceuticals (Zhuhai) increased from 65.5% for FYE 2016 to 66.7% for the Current Financial Year.

The Group conducted its business development in a prudent way due to the intense competition in the market of healthcare products which resulted in a decrease in sales revenue of healthcare products under the **Herb Valley** brand series from HK$3,200,000 for FYE 2016 to HK$2,100,000 for FYE 2017. As the performance of healthcare product business was lower than expectation, the Group had to recognize an impairment loss for goodwill and intangible assets amounted to HK$2,100,000 and HK$4,300,000 respectively for healthcare product business, net off the reversal of those deferred tax liabilities related to those intangible assets of HK$1,300,000, resulted a net loss of HK$5,100,000 was charged to profit or loss. The impairment loss and deferred taxation are an accounting related adjustments and non-cash in nature, thus having no material and adverse impact on the financial position and operation of the Group.

As the Group strived for cost saving by means of efficiency and effectiveness enhancement, selling and distribution expenses decreased by 3.4% from HK$51,100,000 for FYE 2016 to HK$49,400,000 for the Current Financial Year; while administrative expenses were maintained at a level similar to that of FYE 2016.

The Group invested in ASLAN Pharmaceuticals Limited (ASLAN), a Singapore company engaged in new drug R&D, towards the end of 2015. ASLAN is principally engaged in the development of a portfolio of immunotherapies and targeted anti-tumour drugs focusing on Asia prevalent tumour types. During the Current Financial Year, a fair value gain of approximately HK$6,200,000 was recorded when the redeemable convertible preference shares in ASLAN were converted into ordinary shares.

As a whole, the profit attributable to shareholders of the Company significantly increased by 89% to HK$12,400,000 for the Current Financial Year, equivalent to basic earnings per share of HK0.58 cent, as compared to profit attributable to shareholders of the Company of HK$6,600,000 for FYE 2016, equivalent to earnings per share of HK0.32 cent. The Group maintained a stable and strong financial position accordingly. As at 31 March 2017, the Group's bank deposits, bank balances and cash amounted to HK$399,300,000, without record of external borrowings. Current ratio and quick ratio improved from 6.39 and 5.84 as at 31 March 2016 to 7.53 and 6.97 as at 31 March 2017 respectively.

BUSINESS REVIEW

Under the annual corporate direction, "Efficiency and Effectiveness", the Group has continued to strengthen its core competiveness in accordance to the principle of innovation and professionalism. Aligning with the favourable Chinese medicine policies and strategies of the PRC government, the Group is investing in the Chinese medicine business to bring its breadth of products and services to a new height.

- 9 drugs of the Group including Valsartan Capsules and Ibuprofen Suspension were listed in the "2017 Medicine List for National Basic Medical Insurance" of China.

- Primary products of Meng Sheng Pharmaceutical are Cerebroprotein Hydrolysate Injection, Vinpocetine Injection and Aceglutamide Injection. The production process of Cerebroprotein Hydrolysate Injection was patented by the State Intellectual Property Office in China and obtained the official certification with new national standard issued in 2015, thereby reaching international standard of its product category. Its standard of excellence and market share were well ahead industry players in China. For international presence, it has been focusing on market development in India and other international territories as well as actively proceeding license registrations in the Middle and the Southeast Asia.

- Healthcare product, Qi-Shangzhen oral solution was successfully launched in the market by utilising its local resources, extract of notoginseng (sanqi) in Yunnan. The Group believes it will be a new growth driver.

- A clinical test approval for Type Six glucose-lowering Acarbose of Tianda Pharmaceuticals (Zhuhai), was granted by the China Food and Drug Administration. The Group is preparing a full laboratory assessment for the preclinical approval and a clinical trial for diabetic drugs will be commenced within the stated period.

- Valsatan Capsules, a hyper tension drug, has been classified as chemical generic medicine in the "National Essential Medicine List" of China. The Group is undergoing a clinical trial for quality and overall efficacy of generic medicine in reference to the requirement of the China Food and Drug Administration.

- To expand its penetration in OTC channels and overall sales performance, the Group has been targetting on OTC markets with solid brand attachment to Tuoen (Ibuprofen series) and Tuoping (Valsartan series).

- Paediatric drugs were listed in the Women and Children's Specialty Catalogue and the Dosage Guide for Toddlers of China which are connected to the direct online sourcing and pricing network. Captialising on the opportunity, the Group restructured its sales strategy for market expansion.

- Tianda Pharmaceuticals (Zhuhai) established a quality testing system in reference to the standard stipulated in the Chinese Pharmacopoeia, the British Pharmacopoeia and the US Pharmacopoeia. Also, it was granted the GMP certification of the Australian Therapeutic Goods Administration (the TGA） and the new edition of the GMP certification in China.

- Construction and development of Tianda Pharmaceuticals (Zhuhai)'s new R&D and production base has been undergone.

- Solid emphasis has been assigned on investment and development through identifying and conducting research and analysis on potential targets.

- The Group has been collaborating closely with Shanghai Pharmaceuticals Holding Company Limited, the second largest shareholder of the Group, to enrich its product mix.

- ASLAN was listed on the Taiwan OTC Exchange in early June 2017. The over-the-counter listing raised NTD 1billion (equivalent to US$33million or HK$260million). It is expected that the listing will unleash the true value of the investment in ASLAN and will enhance the asset value of the Group.

OUTLOOK

The Group will further enhance the overall sales performance through new business strategies. Healthcare product business unit will be established to develop healthcare product market, whereas the Traditional Chinese Medicine (TCM) business will be nurtured as new growth driver for scale benefits. The Group will actively invest in new medicine research and development and introduce novelty generic drugs through different channels and exercises to raise its competitiveness. It will continue to seize investment opportunities to enter into the medical services market in China and ultimately transform to an integrated medic-pharmaceuticals enterprise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remained healthy. As at 31 March 2017, the Group had cash and bank balances of approximately HK$399,300,000 (31 March 2016: HK$394,300,000), of which approximately 27.3% and 72.5% were denominated in Hong Kong dollars and Renminbi respectively with remaining in Australian dollars, Euros and United States dollars. The Group has no external borrowing as at 31 March 2017. Therefore, the Group has sufficient financial resources to meet its obligation and daily operational needs.

EXCHANGE RATE EXPOSURE

The Group's assets, liabilities and transactions are substantially dominated in Hong Kong dollars, Renminbi, Australian dollars, and United States dollars.

The Group has sales and investments in foreign operations which use currencies other than its functional currency Renminbi. As such, the Group had some exposure 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 fluctuation in material transactions denominated in currencies other than Renminbi. The Group did not enter into any forward currency contracts to hedge its foreign currency risk as at 31 March 2017 and 31 March 2016.

CHARGES ON ASSETS

As at 31 March 2017 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 year ended 31 March 2017 and 31 March 2016.

EMPLOYEES

The Group employed approximately 410 employees in Hong Kong, China and Australia as at 31 March 2017. The Group remunerates its employees based on market terms and the qualifications and experiences of the employees concerned.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the CG Code) in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the Listing Rules) during the year ended 31 March 2017 except as mentioned below.

Pursuant to code provision of A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate. On 1 February 2017, Mr. Shi Shaobin ceased to act as the Managing Director. On the same date, Mr. Fang Wen Quan, the Chairman, was appointed as the Managing Director. The Board is of the view that Mr. Fang Wen Quan acting as both the Chairman of the Board and the Managing Director is acceptable and in the best interest of the Group because of the business operation and the size of the Group. The Board will review this situation periodically.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and a non-executive Director of the Company. The audit committee has reviewed together with the management and auditors of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the financial results of the Group for the year ended 31 March 2017.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has recommended the payment of a final dividend of HK0.57 cent (2016: HK0.27 cent) per share for FYE2017. Subject to shareholders' approval at the forthcoming 2017 annual general meeting, the said final dividend is expected to be paid in September 2017. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2017 annual general meeting and to receive the proposed final dividend and the payment date of the said final dividend will be announced later.

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

Hong Kong, 30 June 2017

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