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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 2017

HIGHLIGHTS

Revenue was approximately HK$126,500,000 (Last Corresponding Period: approximately HK$93,900,000), representing an increase of 34.8%.

Gross profit margin was at 68.3% (Last Corresponding Period: 60.5%), representing an improvement of 7.8 percentage points.

Profit for the period and profit attributable to owners of the parent amounted to HK$9,800,000 and HK$2,600,000 respectively.

The Group's financial position remained strong with bank balances and cash of approximately HK$430,900,000 (31 March 2017: HK$399,300,000).

The board of directors (the Board) 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 2017 (the First Half of the Year or Reporting Period), together with comparative figures for the corresponding period in 2016. 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 Reporting Period, which has been reviewed by the Company's independent auditor, Ernst & Young, 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 2017

		Six months ended 30 September	
		2017	2016
	NOTES	***HK$***	*HK$*
		(Unaudited)	(Unaudited)
Revenue	*4*	**126,498,062**	93,853,493
Cost of sales		**(40,081,738)**	(37,118,857)
Gross profit		**86,416,324**	56,734,636
Other income, gains and losses	*4*	**2,423,673**	14,169,433
Selling and distribution expenses		**(49,668,128)**	(25,757,820)
Administrative expenses		**(26,017,247)**	(24,430,750)
Profit before tax	*5*	**13,154,622**	20,715,499
Income tax expense	*6*	**(3,311,617)**	(4,022,134)
Profit for the period		**9,843,005**	16,693,365
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value on available-for-sale investment		**9,982,800**	–
Exchange differences on translation of foreign operations		**397,295**	(109,391)
		10,380,095	(109,391)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		**22,542,767**	(22,894,458)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**32,922,862**	(23,003,849)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**42,765,867**	(6,310,484)

	NOTES	Six months ended 30 September 2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
Profit attributable to:			
Owners of the parent		**2,636,232**	11,525,520
Non-controlling interests		**7,206,773**	5,167,845
		9,843,005	16,693,365
Total comprehensive income attributable to:			
Owners of the parent		**34,308,193**	(10,529,565)
Non-controlling interests		**8,457,674**	4,219,081
		42,765,867	(6,310,484)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	7	**HK0.12 cents**	HK0.54 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

	NOTES	30 September 2017 HK$ (Unaudited)	31 March 2017 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**141,816,654**	139,284,183
Prepaid land lease payments	10	**108,430,835**	107,201,666
Goodwill	11	**101,678,074**	98,714,465
Other intangible assets	12	**36,607,294**	41,035,718
Deposit for acquisition of property, plant and equipment		**194,967**	189,497
Available-for-sale investment		**46,215,012**	36,232,212
Total non-current assets		**434,942,836**	422,657,741
CURRENT ASSETS			
Inventories		**34,428,648**	35,431,963
Trade and bills receivables	13	**43,077,259**	38,749,127
Prepayments, deposits and other receivables	14	**7,003,253**	4,339,655
Prepaid land lease payments	10	**3,729,771**	3,625,143
Cash and cash equivalents		**430,936,601**	399,316,081
Total current assets		**519,175,532**	481,461,969
CURRENT LIABILITIES			
Trade payables	15	**15,788,847**	11,262,460
Other payables and accruals	16	**59,976,974**	43,543,706
Due to a related company		**595,063**	1,058,410
Dividend payable		**1,777,765**	–
Tax payable		**6,022,342**	8,107,925
Total current liabilities		**84,160,991**	63,972,501
NET CURRENT ASSETS		**435,014,541**	417,489,468
TOTAL ASSETS LESS CURRENT LIABILITIES		**869,957,377**	840,147,209

	NOTES	30 September 2017 HK$ (Unaudited)	31 March 2017 HK$ (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**714,487**	751,522
Deferred tax liabilities		**25,771,937**	26,431,976
Total non-current liabilities		**26,486,424**	27,183,498
Net assets		**843,470,953**	812,963,711
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**215,063,588**	215,063,588
Reserves		**585,308,162**	563,258,594
		800,371,750	778,322,182
Non-controlling interests		**43,099,203**	34,641,529
Total equity		**843,470,953**	812,963,711

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (HKAS) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the HKICPA).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2017.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA for the first time for the current period's condensed consolidated financial statements:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*Disclosure of Interests in Other Entities included in Annual Improvements 2014-2016 Cycle*

The adoption of these revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

3. OPERATING 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 below, 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.

For the six months ended 30 September 2017

	Pharmaceutical and biotechnology business *HK$* **(Unaudited)**	**Unallocated** *HK$* **(Unaudited)**	**Total** *HK$* **(Unaudited)**
Segment revenue:			
Sales to external customers	**126,498,062**	**–**	**126,498,062**
Revenue	**126,498,062**	**–**	**126,498,062**
Segment results	**22,059,981**	**(8,905,359)**	**13,154,622**
Profit before tax			**13,154,622**

For the six months ended 30 September 2016

	Pharmaceutical and biotechnology business *HK$* (Unaudited)	Unallocated *HK$* (Unaudited)	Total *HK$* (Unaudited)
Segment revenue:			
Sales to external customers	93,853,493	–	93,853,493
Revenue	93,853,493	–	93,853,493
Segment results	23,530,003	(2,814,504)	20,715,499
Profit before tax			20,715,499

The segment results of pharmaceutical and biotechnology business for the six months ended 30 September 2016 disclosed in prior interim report was HK$13,348,441. The difference comprises tax expense of HK$4,022,134 and fair value gain on derecognition of investments in redeemable convertible preference shares of HK$6,159,428 recognised for the period ended 30 September 2016.

4. REVENUE, OTHER INCOME, GAINS AND LOSSES

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income, gains and losses is as follows:

	Six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Revenue		
Sales of pharmaceutical, biotechnology and healthcare products	**126,498,062**	93,853,493
Other income		
Bank interest income	**3,732,893**	2,642,162
Government subsidies	**57,637**	58,796
Others	**1,367,964**	2,026,879
	5,158,494	4,727,837
Gains and losses		
Fair value gain on derivative financial instruments, net	**5,457,815**	1,905,449
Fair value gain on derecognition of investments in redeemable convertible preference shares	**–**	6,159,428
Foreign exchange (loss)/gain, net	**(8,172,571)**	1,405,964
Loss on disposal of items of property, plant and equipment	**(20,065)**	(29,245)
	2,423,673	14,169,433

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**40,081,738**	37,118,857
Depreciation	**5,219,811**	4,588,198
Amortisation of land lease payments	**1,830,331**	1,867,136
Amortisation of other intangible assets	**5,506,121**	5,609,752
Loss on disposal of items of property, plant and equipment, net	**20,065**	29,245
Fair value gain on derivative financial instruments, net	**(5,457,815)**	(1,905,449)
Fair value gain on derecognition of investments in redeemable convertible preference shares	**–**	(6,159,428)
Bank interest income	**(3,732,893)**	(2,642,162)
Foreign exchange differences, net	**8,172,571**	(1,405,964)

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 September 2016: Nil). Tax on profits assessable in the Mainland China has been calculated at the applicable Mainland China corporate income tax (CIT) rate of 25% (six months ended 30 September 2016: 25%), except for Yunnan Meng Sheng Pharmaceutical Co., Ltd. (Yunnan Meng Sheng) and Tianda Pharmaceuticals (Zhuhai) Ltd. (Tianda Zhuhai), subsidiaries of the Group. Yunnan Meng Sheng is established in the Kunming economic development zone. Pursuant to the relevant laws and regulations in the PRC, Yunnan Meng Sheng is engaged in Western China Development and was entitled to a preferential tax rate of 15% during the period (six months ended 30 September 2016: 15%). Tianda Zhuhai is qualified as an advanced technology enterprise and has obtained approvals from the relevant tax authorities for the applicable tax rate of 15% for a period of 3 years up to December 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current – China		
Charge for the period	**4,674,926**	5,091,059
Deferred	**(1,363,309)**	(1,068,925)
Total tax charge for the period	**3,311,617**	4,022,134

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the six months ended 30 September 2017 and 2016.

	Six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent for the purpose of basic earnings per share	**2,636,232**	11,525,520
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**2,150,635,884**	2,150,635,884

8. DIVIDENDS

The directors of the Company resolved not to declare any interim dividend for the period (six months ended 30 September 2016: Nil).

During the six months ended 30 September 2017, a final dividend of HK0.57 cent per share, amounting to HK$12,258,625 in aggregate, for the year ended 31 March 2017 was paid/payable to the shareholders of the Company.

During the six months ended 30 September 2016, a final dividend of HK0.27 cent per share, amounting to HK$5,806,717 in aggregate, for the year ended 31 March 2016 was paid/payable to the shareholders of the Company.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK$3,865,337 (six months ended 30 September 2016: HK$1,354,709). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of HK$46,090 (six months ended 30 September 2016: HK$29,669) for cash proceeds of HK$26,025 (six months ended 30 September 2016: HK$424), resulting in a loss on disposal of HK$20,065 (six months ended 30 September 2016: HK$29,245).

10. PREPAID LAND LEASE PAYMENTS

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Carrying amount at 1 April 2017/2016	**110,826,809**	121,218,606
Amortised during the period/year	**(1,830,331)**	(3,661,929)
Exchange realignment	**3,164,128**	(6,729,868)
	112,160,606	110,826,809
Current portion	**(3,729,771)**	(3,625,143)
Non-current portion	**108,430,835**	107,201,666

11. GOODWILL

	HK$
31 March 2017 (Audited)	
At 1 April 2016	
Cost	106,926,467
Accumulated impairment	–
Net carrying amount	106,926,467
Cost at 1 April 2016, net of accumulated impairment	106,926,467
Impairment during the year	(2,141,711)
Exchange realignment	(6,070,291)
At 31 March 2017	98,714,465
At 31 March 2017	
Cost	100,856,176
Accumulated impairment	(2,141,711)
Net carrying amount	98,714,465
30 September 2017 (Unaudited)	
At 31 March 2017 and 1 April 2017	
Cost	**100,856,176**
Accumulated impairment	**(2,141,711)**
Net carrying amount	**98,714,465**
Cost at 1 April 2017, net of accumulated impairment	**98,714,465**
Exchange realignment	**2,963,609**
At 30 September 2017	**101,678,074**
At 30 September 2017	
Cost	**103,819,785**
Accumulated impairment	**(2,141,711)**
Net carrying amount	**101,678,074**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Pharmaceutical products cash-generating unit for Yunnan Meng Sheng
- Pharmaceutical products cash-generating unit for Tianda Zhuhai
- Healthcare products cash-generating unit for Tianda Pharmaceuticals (Australia) Pty Ltd (Tianda Australia)

Pharmaceutical products cash-generating unit for Yunnan Meng Sheng

The recoverable amount of the pharmaceutical products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.66% (31 March 2017: 12.66%). The growth rate used to extrapolate the cash flows of the pharmaceutical products unit beyond the five-year period is 3% (31 March 2017: 3%).

Pharmaceutical products cash-generating unit for Tianda Zhuhai

The recoverable amount of the pharmaceutical products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to the cash flow projections is 13.66% (31 March 2017: 13.66%). The growth rate used to extrapolate the cash flows of the pharmaceutical products unit beyond the ten-year period is 3% (31 March 2017: 3%).

Healthcare products cash-generating unit for Tianda Australia

Goodwill amounting HK$2,141,711 arisen from the acquisition of Tianda Australia has been fully impaired as at 30 September 2017 and 31 March 2017.

The carrying amount of goodwill allocated to each of the cash-generating units is as follow:

	Yunnan Meng Sheng	**Tianda Australia**	**Tianda Zhuhai**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Carrying amount of goodwill as at 30 September 2017 (unaudited)	6,238,802	–	95,439,272	101,678,074
Carrying amount of goodwill as at 31 March 2017 (audited)	6,063,789	–	92,650,676	98,714,465

12. OTHER INTANGIBLE ASSETS

	Trademark *HK$*	Licences and permits *HK$*	Total *HK$*
31 March 2017 (Audited)			
At 1 April 2016:			
Cost	5,553,746	94,799,230	100,352,976
Accumulated amortisation	–	(41,216,347)	(41,216,347)
Net carrying amount	5,553,746	53,582,883	59,136,629
Cost at 1 April 2016, net of accumulated amortisation and impairment	5,553,746	53,582,883	59,136,629
Amortisation provided for the year	–	(11,007,221)	(11,007,221)
Impairment during the year	(4,255,947)	–	(4,255,947)
Exchange realignment	461	(2,838,204)	(2,837,743)
At 31 March 2017	1,298,260	39,737,458	41,035,718
At 31 March 2017:			
Cost	5,554,207	89,651,943	95,206,150
Accumulated amortisation and impairment	(4,255,947)	(49,914,485)	(54,170,432)
Net carrying amount	1,298,260	39,737,458	41,035,718
30 September 2017 (Unaudited)			
At 1 April 2017:			
Cost	**5,554,207**	**89,651,943**	**95,206,150**
Accumulated amortisation and impairment	**(4,255,947)**	**(49,914,485)**	**(54,170,432)**
Net carrying amount	**1,298,260**	**39,737,458**	**41,035,718**
Cost at 1 April 2017, net of accumulated amortisation and impairment	**1,298,260**	**39,737,458**	**41,035,718**
Amortisation provided for the period	**–**	**(5,506,121)**	**(5,506,121)**
Exchange realignment	**40,081**	**1,037,616**	**1,077,697**
At 30 September 2017	**1,338,341**	**35,268,953**	**36,607,294**
At 30 September 2017:			
Cost	**5,725,687**	**92,215,366**	**97,941,053**
Accumulated amortisation and impairment	**(4,387,346)**	**(56,946,413)**	**(61,333,759)**
Net carrying amount	**1,338,341**	**35,268,953**	**36,607,294**

13. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade and bills receivables:		
Within 1 month	**29,092,503**	21,670,665
1 to 2 months	**2,575,815**	4,869,827
2 to 3 months	**4,759,873**	3,105,424
Over 3 months	**6,649,068**	9,103,211
	43,077,259	38,749,127

The Group's trading terms with its customers are mainly on credit. The credit periods are ranging from 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Prepayments	**3,427,457**	2,099,106
Deposits and other receivables	**3,575,796**	2,240,549
	7,003,253	4,339,655

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade payables:		
Within 1 month	**15,101,836**	4,896,619
1 to 2 months	**157,409**	2,296,785
2 to 3 months	**50,717**	2,464,244
Over 3 months	**478,885**	1,604,812
	15,788,847	11,262,460

Trade payables are non-interest-bearing and are normally settled with terms of 60 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Other payables	**11,235,776**	2,408,813
Accruals	**40,518,436**	30,986,523
Receipts in advance	**8,222,762**	10,148,370
	59,976,974	43,543,706

Other payables are non-interest-bearing and have an average term of three months.

17. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$
Authorised:		
At 31 March 2017 and 30 September 2017	4,000,000,000	400,000,000
Issued and fully paid:		
At 31 March 2017 and 30 September 2017	2,150,635,884	215,063,588

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the current and corresponding periods.

18. COMMITMENTS

	30 September 2017	31 March 2017
	HK$	*HK$*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Plant and equipment	**2,565,003**	3,916,219

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 September 2017 (the First Half of the Year/Reporting Period), the Group recorded a consolidated revenue of approximately HK$126,500,000 from its core business, representing an increase of 34.8% as compared with approximately HK$93,900,000 for the six months ended 30 September 2016 (the Last Corresponding Period). Gross profit increased by 52.3% from approximately HK$56,700,000 to approximately HK$86,400,000. Gross profit margin also increased by 7.8 percentage points from 60.5% for the Last Corresponding Period to 68.3% for the First Half of the Year.

During the Reporting Period, the Group improved its sales performance by vigorously developing the third terminal sales channel to increase its customer base. Sales revenue of Tianda Pharmaceuticals (Zhuhai) Ltd. (Tianda Pharmaceuticals (Zhuhai)), a wholly-owned subsidiary of the Company, increased by approximately 15.1% from approximately HK$57,800,000 for the Last Corresponding Period to approximately HK$66,500,000, with the sales volume and sales revenue of its main product “Tuoen” (Ibuprofen suspension and drops) up by 17.1% and 35.6%, respectively.

Yunnan Meng Sheng Pharmaceutical Co., Ltd. (Meng Sheng Pharmaceutical) adjusted its operating model during the Reporting Period in response to the market changes brought by the State’s implementation of the Two-Invoice System for drug sales. As a result, both selling price of products and operating costs increased accordingly, leading to an increase in sales revenue of approximately 68.7% from approximately HK$35,100,000 for the Last Corresponding Period to approximately HK$59,200,000. Sales volume of its flagship product, Cerebroprotein Hydrolysate Injection, increased by nearly 13.0% in the First Half of the Year as compared to the Last Corresponding Period. In addition, “Qi-Shangzhen oral solution”, a healthcare product using notoginseng stalks (sanqi, a local medicine in Yunnan) as base ingredient, also delivered good performance during the Reporting Period, both sales revenue and sales volume of which for the First Half of the Year had already exceeded the total of last financial year.

Distribution and selling expenses increased from approximately HK$25,800,000 for the Last Corresponding Period to approximately HK$49,700,000 in the Reporting Period. As explained above, Meng Sheng Pharmaceutical recorded an agency fee of approximately HK$15,700,000 during the Reporting Period due to its change in operating model in response to the State’s implementation of the Two-Invoice System. The substantial increase in distribution and selling expenses was mainly due to sales team building and extensive market expansion. Administrative expenses increased by approximately 6.5% from approximately HK$24,400,000 for the Last Corresponding Period to approximately HK$26,000,000 in the Reporting Period.

During the Reporting Period, the Group recorded other income and other net gains of approximately HK$2,400,000, as compared to approximately HK$14,200,000 for the Last Corresponding Period. The Group recorded one-off fair value gain on investment of approximately HK$6,200,000 when the Group derecognised the ASLAN Preference Shares in the Last Corresponding Period, but no such gain was recorded during the Reporting Period. The ordinary shares of ASLAN held by the Group commenced trading on Taiwan's OTC market in June 2017. Based on the closing price on 30 September 2017, the market value of the ordinary shares of ASLAN held by the Group was approximately HK$10,000,000 more than their carrying amount as at 31 March 2017. Such increase in fair value was reflected in the net assets value, but will not be stated in the profit for the period in accordance with relevant accounting standards.

As Hong Kong dollar depreciated against RMB by nearly 3% during the First Half of the Year, the Group recorded a net exchange loss, after netting-off gain on foreign currency forward contracts, of approximately HK$2,700,000, as compared to net exchange gain of approximately HK$3,300,000 for the Last Corresponding Period. The assets managed and owned by the Group are mainly located within the PRC and settled in RMB. However, as the Group is headquartered and listed in Hong Kong, it held a portion of deposit balances denominated in Hong Kong dollar and international currencies, therefore the Group is subject to the effect of changes in foreign exchange rates between international currencies and RMB. Given that the net exchange loss is stated in the non-cash loss account, it will not have significant effect on the Group's financial cash flows.

Based on the foregoing, as a result of the changes in the non-operation factors including fair value gain on investment and exchange loss, profit for the period during the First Half of the Year was approximately HK$9,800,000, representing a decrease of approximately 41.0% as compared to approximately HK$16,700,000 for the Last Corresponding Period. Excluding the non-operation factors such as the one-off gain on investment and exchange differences, the adjusted profit for the period would be approximately HK$12,600,000, up by 73.9% from HK$7,200,000 for the Last Corresponding Period. Profit attributable to shareholders for the First Half of the Year amounted to approximately HK$2,600,000, representing basic earnings per share of HK0.12 cent.

The Group maintained a sound financial position. As at 30 September 2017, the Group's bank deposits, bank balances and cash amounted to approximately HK$430,900,000, up by approximately HK$31,600,000 as compared with the balance as at 31 March 2017.

BUSINESS REVIEW

Under the national policy of vigorously promoting Traditional Chinese Medicine (TCM) development, Tianda Pharmaceuticals has taken the opportunity to build its presence in TCM industry while further enhancing the performance of its existing businesses. TCM Business Strategic Development Plan has been authored, covering nine components in three major aspects, namely "Chinese Medical, Chinese Medicines and TCM intelligence" (中醫、中藥、中醫藥智能科技).

- From sales channel of hospitals, the Group increased the sales of "Cerebroprotein hydrolysate injection III", a bid-winning product, and continued to step up its promotions in India and other overseas markets. During the new round of bidding, majority of the pediatric drugs were listed on the direct online sourcing and pricing network, therefore the Group resumed their sales from those non bid-winning provinces.

- As for OTC markets, the Group continued to implement the controlled sales strategy, and strengthen the pharmacy chain and the third terminal sales network. Sales through the OTC channel was not materially affected by policy factor and maintained steady growth. With its sales network covering 30 provinces and municipalities nationwide, the performance hit another record high.

- The newly-established healthcare product business unit has made an initial success with its key product "Qi-Shangzhen oral solution". "Qi-Shangzhen oral solution" has been well received by consumers since its debut, and is expected to become one of the significant growth drivers for the Group in 2018. As for "Herb Valley" Super Manuka Honey series, the Group implemented both online and offline strategies for brand promotion and launched joint promotional campaigns with large-scaled institutions to enhance product awareness. Through increased sales and enriched product portfolio, consumers' understanding of its products was further improved.

- Great efforts were put in research and development of TCM products. (1) The redevelopment for ZhiKang Granules was rolled out and checkpoints were achieved. The Group has also commenced the plan for the redevelopment of YI AN Decoction, an exclusive Chinese medicine-based detoxification agent; (2) The research of dried tangerine has been conducted, a Chinese herb in Canton regions for the "dried tangerine plus" products development such as beverage, candy and lozenges; (3) the research and development were carried for moxa stick series, soup packages, medicinal liquors, TCM tapes and herbal tea products as well as TCM decoction pieces, formula granules and formulae, so as to address the products for TDMall, an innovative TCM medical chain center to be set up; and (4) In addition to the "Qi-Shangzhen oral solution", the Group further developed the functional food series made from stem, leaf and flower of notoginseng. Registration of substitutional tea and flavoured tea using stem, leaf and flower of notoginseng has been approved. As well, close attention was paid to the process of approval applications for the healthcare products such as Yunnan notoginseng, dendrobium nobile and gastrodia elata, with a view to capitalising on any potential opportunities in the coming future.

- Tianda Pharmaceuticals (Zhuhai) was presented the 2015-2016 Guangdong Province Enterprise of Observing Contract and Valuing Credit. (廣東省守合同重信用企業) together with the State High-Tech Enterprise Award (國家高新技術企業認定) and the 18th Patent Award by State Intellectual Property Office of the PRC (國家知識產權局組織評審第18屆中國專利獎項). The project of the R&D and production base of Tianda Pharmaceuticals (Zhuhai) experienced steady progress and construction will be commenced accordingly. Whereas, Meng Sheng was granted the 2016 Kunming Enterprise of Observing Contract and Valuing Credit (昆明市守合同重信用企業) and subsidy for substantial expansion achievement in 2016.

- On 12 June 2017, the Group entered into an agreement to acquire Zhuhai Renhong Medicine Co., Ltd. (珠海仁宏醫藥有限公司), the principal business is sales and wholesale of Chinese Herbal Medicines, TCM decoction pieces and Chinese medicines. The acquisition was highly in line with the strategy of the Group to develop TCM businesses. The business nature and qualifications of this company create great synergies with the Group. The Group anticipates that the transfer of equity interest will be completed in the second half of the year, and Renhong's sales contribution will be reflected in the financial statements respectively.

- Selected products of the Company have been incorporated into the sales and operation system of Shanghai Sine Tianyi Pharmaceutical Co., Ltd (上海信誼天一藥業有限公司) and Shanghai Hua Grand Pharmacy (上海華氏大藥房), creating a win-win situation between the Group and Shanghai Pharma. The Group will continue to explore and identify any potential investment opportunities in medicines, medical devices and medical services in Europe, United States and Asia Pacific region as well as the TCM projects in China.

OUTLOOK

Tianda Pharmaceuticals has commenced its investment and development of TCM business and will tap into medical service sector when opportunity arises, which marks the evolvement of the Company from a pharmaceutical manufacturer of generic drugs to an integrated medic-pharmaceuticals enterprise. The Group has established in Macao Tianda Chinese Medicine Limited as its TCM business headquarter, and TDMall (Group) Limited as its innovative Chinese medical chain centre, and will set up Tianda Chinese Medicine Institute Limited in Macao committed to the research of Chinese medicine. The Group is also in the process of converting and renaming Zhuhai Renhong Medicine Co., Ltd into Tianda Chinese Medicine (China) Limited. In addition, both Tianda Pharmaceuticals (Zhuhai) and Yunnan Meng Sheng Pharmaceutical have incorporated the TCM research and development together with manufacturing capacities. With its efforts in the past year, the Group has completed its business layout for the integrated chain of TCM. Going forward, the Group and "Tianda People" are accountable for promoting the TCM culture and create a "TCM Kingdom" serving the Healthy China initiatives and contributing to the health of mankind.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 30 September 2017, the Group had cash and bank balances of approximately HK$430,900,000 (31 March 2017: HK$399,300,000), of which approximately 20.8% and 78.8% were denominated in Hong Kong dollar and RMB respectively with the remaining in Australian dollars, Euros and United States dollars. The Group has no external borrowings during the period under review. Therefore, 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 dollars, RMB, United States dollars and Australian dollars.

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 2017.

CHARGES ON ASSETS

As at 30 September 2017 and 31 March 2017, 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 2017 and the year ended 31 March 2017.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group employed approximately 422 employees in Hong Kong, the PRC and Australia. The Group remunerates its employees based on market terms the qualifications and experiences 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 2017 except as mentioned below.

Mr. Fang Wen Quan is the Chairman of the Board and the Managing Director of the Company. Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Having considered the current business operation and the size of the Group, the Board of Directors is of the view that Mr. Fang Wen Quan acting as both the Chairman of the Board and as the Managing Director of the Company is acceptable and in the best interest of the Group. The Board will review this situation periodically.

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 complied with the Model Code throughout the six months ended 30 September 2017.

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 and independent auditor of the Company, 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 2017.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.tiandapharma.com) and the Stock Exchange's website (www.hkexnews.hk). The interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the Directors and staffs for their dedication and diligence. I also wish to take this opportunity to express my gratitude to the Group's customers, suppliers and bankers for their ongoing support.

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

Hong Kong, 22 November 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.