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 2018

HIGHLIGHTS

Revenue was approximately HK$361,600,000 (FYE 2017: approximately HK$195,500,000), representing an increase of 84.9%.

Gross profit margin was at 74.8% (FYE 2017: 61.4%), representing a significant increase of 13.4 percentage points.

Profit for the year and profit attributable to owners of the parent amounted to approximately HK$22,200,000 and HK$10,000,000 respectively.

The Group's financial position remains strong with cash and cash equivalents of approximately HK$493,200,000 (31 March 2017: approximately HK$399,300,000).

The Board of Directors has recommended the payment of a final dividend of HK0.35 cents per share (FYE 2017: HK0.57 cents per share).

The Board of Directors of Tianda Pharmaceuticals Limited (the Company) is pleased to announce the consolidated results of the Company and its subsidiaries (the Group) for the year ended 31 March 2018, 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 2018

	Notes	**2018** **HK$**	2017 HK$
REVENUE	4	**361,554,649**	195,538,964
Cost of sales		**(91,195,131)**	(75,523,883)
Gross profit		**270,359,518**	120,015,081
Other income, gains and losses		**14,968,639**	15,295,556
Selling and distribution expenses		**(197,184,674)**	(49,358,441)
Administrative expenses		**(55,062,819)**	(50,177,531)
Research and development expenses		**(3,138,669)**	(3,024,947)
PROFIT BEFORE TAX		**29,941,995**	32,749,718
Income tax expense	5	**(7,779,956)**	(7,997,122)
PROFIT FOR THE YEAR		**22,162,039**	24,752,596
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**14,450,894**	–
Reclassification adjustment for a gain included in profit or loss		**(8,293,917)**	–
		6,156,977	–
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**70,260,166**	(44,080,472)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**76,417,143**	(44,080,472)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**98,579,182**	(19,327,876)

	Notes	**2018**	2017
		HK$	*HK$*
Profit for the year attributable to:			
Owners of the parent		**10,007,756**	12,442,265
Non-controlling interests		**12,154,283**	12,310,331
		22,162,039	24,752,596
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**81,713,550**	(29,619,386)
Non-controlling interests		**16,865,632**	10,291,510
		98,579,182	(19,327,876)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	6	**HK0.47 cents**	HK0.58 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	**2018**	2017
		HK$	*HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**151,064,566**	139,284,183
Prepaid land lease payments		**113,643,582**	107,201,666
Goodwill		**112,148,013**	98,714,465
Other intangible assets		**33,343,979**	41,035,718
Deposit for acquisition of property, plant and equipment		**217,936**	189,497
Available-for-sale investments	7	**17,779,099**	36,232,212
Total non-current assets		**428,197,175**	422,657,741
CURRENT ASSETS			
Inventories		**36,324,377**	35,431,963
Trade and bills receivables	8	**74,797,171**	38,749,127
Prepayments, deposits and other receivables		**8,857,547**	4,339,655
Prepaid land lease payments		**3,977,486**	3,625,143
Cash and cash equivalents		**493,153,768**	399,316,081
Total current assets		**617,110,349**	481,461,969
CURRENT LIABILITIES			
Trade payables	9	**17,196,713**	11,262,460
Other payables and accruals		**106,747,564**	43,543,706
Amount due to a related company		**427,133**	1,058,410
Dividend payable		**1,771,345**	–
Tax payable		**8,470,839**	8,107,925
Total current liabilities		**134,613,594**	63,972,501
NET CURRENT ASSETS		**482,496,755**	417,489,468
TOTAL ASSETS LESS CURRENT LIABILITIES		**910,693,930**	840,147,209
NON-CURRENT LIABILITIES			
Deferred income		**699,315**	751,522
Deferred tax liabilities		**24,409,730**	26,431,976
Total non-current liabilities		**25,109,045**	27,183,498
NET ASSETS		**885,584,885**	812,963,711
EQUITY			
Equity attributable to owners of the parent			
Share capital		**215,047,588**	215,063,588
Reserves		**632,679,945**	563,258,594
		847,727,533	778,322,182
Non-controlling interests		**37,857,352**	34,641,529
TOTAL EQUITY		**885,584,885**	812,963,711

NOTES:

For the year ended 31 March 2018

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which has been measured at fair value. The financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to nearest dollar except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

Other than as explained below regarding the impact of amendments to HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. OPERATING SEGMENT INFORMATION

Information reported to the Managing Director of the Company, being the chief operating decision maker (CODM), for the purposes of resource 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 resource 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.

Segment performance is evaluated based on segment profit or loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax except that allocation of central administration costs, certain other income, and other gains and losses are excluded from such measurement.

2018

	Pharmaceutical and biotechnology business *HK$*	Unallocated *HK$*	Total *HK$*
Segment revenue:			
Sales to external customers	**361,554,649**	**–**	**361,554,649**
Revenue	**361,554,649**	**–**	**361,554,649**
Segment results	**45,157,539**	**(15,215,544)**	**29,941,995**
Profit before tax			**29,941,995**

2017

	Pharmaceutical and biotechnology business *HK$*	Unallocated *HK$*	Total *HK$*
Segment revenue:			
Sales to external customers	195,538,964	–	195,538,964
Revenue	195,538,964	–	195,538,964
Segment results	39,164,043	(6,414,325)	32,749,718
Profit before tax			32,749,718

The segment results of pharmaceutical and biotechnology business for the year ended 31 March 2017 disclosed in prior annual report were HK$31,166,921. The difference comprises tax expense of HK$7,997,122 for the year ended 31 March 2017.

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$	*HK$*
Mainland China	**360,009,359**	193,682,020
Hong Kong	**1,030,835**	1,391,342
Australia	**514,455**	465,602
	361,554,649	195,538,964

The revenue information of operations above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	HK$	*HK$*
Mainland China	**408,307,160**	382,686,331
Hong Kong	**2,085,669**	2,022,442
Australia	**25,247**	1,716,756
	410,418,076	386,425,529

The non-current asset information of operations above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

During the years ended 31 March 2018 and 2017, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE

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

An analysis of revenue is as follows:

	2018	2017
	HK$	*HK$*
Revenue		
Sale of pharmaceuticals, biotechnology and healthcare products:		
– Cerebroprotein hydrolysate injection	**158,269,495**	67,435,162
– Tuoen (Ibuprofen suspension and drops)	**65,285,097**	36,985,769
– Tuoping (Valsartan capsules)	**56,633,856**	54,376,077
– Other products	**81,366,201**	36,741,956
	361,554,649	195,538,964

5. 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 year (2017: Nil). Tax on profits assessable in the Mainland China has been calculated at the applicable Mainland China corporate income tax CIT rate of 25% (2017: 25%), except for Yunnan Meng Sheng Pharmaceutical Co., Ltd. (Meng Sheng Pharmaceutical) and Tianda Pharmaceuticals (Zhuhai) Ltd. (Tianda Pharmaceuticals (Zhuhai)), which are the 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% during the year (2017: 15%). Tianda Pharmaceuticals (Zhuhai) is qualified as an advanced technology enterprise and has obtained approvals from the relevant tax authorities for a preferential 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.

	2018	2017
	HK$	*HK$*
Current – Mainland China		
Charge for the year	**10,441,726**	10,797,465
Underprovision in prior years	**–**	309,001
Withholding tax	**1,582,309**	1,063,408
Deferred tax	**(4,244,079)**	(4,172,752)
Total tax charge for the year	**7,779,956**	7,997,122

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,150,620,268 (2017: 2,150,635,884) in issue during the year.

	2018	2017
	HK$	*HK$*
Profit attributable to ordinary equity holders of the parent, used in basic earnings per share	**10,007,756**	12,442,265

	2018	2017
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share calculation	**2,150,620,268**	2,150,635,884

The Group had no potentially diluted ordinary shares in issue during the years ended 31 March 2018 and 2017.

7. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$	*HK$*
Unlisted equity investments, at cost	**–**	36,232,212
Listed equity investments, at fair value	**17,779,099**	–
	17,779,099	36,232,212

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$14,450,894 (2017: Nil), HK$8,293,917 of which (2017: Nil) was reclassified from other comprehensive income to profit or loss for the year.

8. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$	*HK$*
Trade and bills receivables	**74,797,171**	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. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing 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:

	2018	2017
	HK$	*HK$*
Within 1 month	**48,684,132**	21,670,665
1 to 2 months	**9,372,744**	4,869,827
2 to 3 months	**6,810,351**	3,105,424
Over 3 months	**9,929,944**	9,103,211
	74,797,171	38,749,127

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$	*HK$*
Neither past due nor impaired	**68,868,016**	38,454,101
Less than 1 month past due	**2,401,721**	106,225
1 to 3 months past due	**3,527,434**	188,801
	74,797,171	38,749,127

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

9. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$	*HK$*
Within 2 months	**15,451,209**	7,193,404
2 to 3 months	**472,263**	2,464,244
Over 3 months	**1,273,241**	1,604,812
	17,196,713	11,262,460

Trade payables are non-interest-bearing and are normally settled with terms of 30 to 60 days.

10. BUSINESS COMBINATION

On 4 December 2017, the Group acquired a 100% interest in Zhuhai Renhong Medicine Co., Ltd. (latterly renamed as Tianda Chinese Medicine (China) Limited (TCM (China))) from independent third parties, Mr. Zhu Hongbing and Ms. Luo Baozhan. TCM (China) is principally engaged in the wholesale of Chinese Herbal Medicines, Traditional Chinese Medicine (TCM) decoction pieces and Chinese Granules. The acquisition was made as part of the Group's strategy to enhance its product varieties and the development in Chinese Medicine business. The purchase consideration for the acquisition was in the form of cash, with RMB5,141,394 (equivalent to HK$6,120,255) paid in full at the acquisition date.

The fair values of the identifiable assets and liabilities of TCM (China) as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HK$
Property, plant and equipment	1,025,631
Intangible assets	1,702,650
Inventories	1,257,851
Trade receivables	3,669,450
Other receivables and prepayments	4,251,829
Cash and bank balances	754,462
Other payables and accruals	(9,787,725)
Tax payable	(49,670)
Total identifiable net assets at fair value	2,824,478
Goodwill on acquisition	3,295,777
Satisfied by cash	6,120,255

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,669,450 and HK$4,251,829, respectively. The gross contractual amounts of trade receivables and other receivables were HK$3,669,450 and HK$4,251,829, respectively.

No transaction cost was incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$
Cash consideration	(6,120,255)
Cash and bank balances acquired	754,462
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,365,793)

Since the acquisition, TCM (China) contributed HK$3,197,307 to the Group's revenue and a loss of HK$2,113,505 to the consolidated profit for the year ended 31 March 2018.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$371,759,444 and HK$18,967,115, respectively.

None of the goodwill recognised is expected to be deductible for income tax purpose.

11. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Notes	**2018** *HK$*	2017 *HK$*
Purchases of package materials:			
Zhuhai S.E.Z. Cheng Cheng Printing Co. Ltd.	(i) (ii)	**4,023,094**	2,749,271
Office rental expenses:			
天大實業(中國)有限公司	(i) (iii)	**712,948**	557,993

Notes:

(i) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(ii) Zhuhai S.E.Z. Cheng Cheng Printing Co. Ltd. is a fellow subsidiary of the Company.

(iii) 天大實業(中國)有限公司 is a fellow subsidiary of the Company.

(b) Outstanding balances with a related party:

The Group had an outstanding balance due to its related party, Zhuhai S.E.Z. Cheng Cheng Printing Co. Ltd., of HK$427,133 (2017: HK$1,058,410) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	2018	2017
	HK$	*HK$*
Short term employee benefits	**4,851,199**	5,905,259
Post-employment benefits	**72,000**	115,416
Total compensation paid to key management personnel	**4,923,199**	6,020,675

SCOPE OF WORK OF ERNST & YOUNG

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 2018 as set out in the preliminary announcement of results have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement of results.

FINANCIAL REVIEW

During the financial year ended 31 March 2018 (the Current Financial Year/FYE 2018), the Group recorded a consolidated revenue of approximately HK$361,600,000 from its core business, representing an increase of 84.9% as compared with approximately HK$195,500,000 for the financial year ended 31 March 2017 (FYE 2017). Gross profit was approximately HK$270,400,000 which increased by 125.3% from approximately HK$120,000,000 for the FYE 2017. Gross profit margin increased significantly by 13.4 percentage points from 61.4% for the FYE 2017 to 74.8% for the Current Financial Year.

During the Current Financial Year, 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 38.8% from approximately HK$115,600,000 for the FYE 2017 to approximately HK$160,400,000, with its main product "Tuoen" (Ibuprofen suspension and drops) delivered remarkable sales performance, the sales revenue and sales volume of "Tuoen" up by 76.5% and 48.5% year-over-year respectively. Profit contribution from Tianda Pharmaceuticals (Zhuhai) also increased by 28.8% from approximately HK$11,600,000 for the FYE 2017 to approximately HK$15,000,000 for the Current Financial Year.

Yunnan Meng Sheng Pharmaceutical Co., Ltd. (Meng Sheng Pharmaceutical) adjusted its sales model during the Current Financial Year in response to the changes in policy brought by the Chinese government's gradual 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 152.3% from approximately HK$77,800,000 for the FYE 2017 to approximately HK$196,300,000 for the Current Financial Year, while selling and distribution expenses also increased from approximately HK$15,900,000 for the FYE 2017 to approximately HK$131,200,000 for the Current Financial Year. Domestic sales volume of its flagship product, Cerebroprotein Hydrolysate Injection, increased by nearly 11.9%. Meanwhile, the sales revenue and sales volume of "Qi-Shangzhen oral solution", a healthcare product using notoginseng stalks (sanqi, a local medicine in Yunnan) as base ingredient, increased by 63.5% and 60.0% respectively for the Current Financial Year as compared to those recorded for the FYE 2017. Profit contribution from Meng Sheng Pharmaceutical, after netting off non-controlling interests' share, increased slightly from approximately HK$13,500,000 for the FYE 2017 to approximately HK$13,700,000 for the Current Financial Year.

Selling and distribution expenses increased from approximately HK$49,400,000 for the FYE 2017 to approximately HK$197,200,000 for the Current Financial Year. As explained above, Meng Sheng Pharmaceutical recorded agency fees of approximately HK$112,700,000 for the Current Financial Year due to its change in sales model in response to the Chinese government's implementation of the Two-Invoice System. The substantial increase in selling and distribution expenses was mainly due to building of the sales team and extensive market expansion. With regard to administrative expenses, the Group continued its efforts to enhance efficiency and effectiveness in costs control and contained the increase of the overall administrative expenses which recorded a slight increase from approximately HK$50,200,000 for the FYE 2017 to approximately HK$55,100,000 for the Current Financial Year.

The Group recorded other income and other net gains of approximately HK$15,000,000, representing a slight decrease as compared to approximately HK$15,300,000 for the FYE 2017. There were three main components of growth which were included in the other income and other net gains for the Current Financial Year, namely 1) interest income from bank deposits and wealth management products increased by approximately HK$300,000 or 3.5% from approximately HK$8,800,000 for the FYE 2017 to approximately HK$9,100,000; 2) in view of the substantial returns that could be realised from its investment in ASLAN Pharmaceuticals Limited (ASLAN) and in order to lock in the lucrative profits and capitalise on the opportunity to realise its investment, during the Current Financial Year, the Group disposed 2,797,000 shares in ASLAN on Taiwan's OTC Exchange, representing approximately two-thirds of the Group's shareholdings in ASLAN, and recorded a profit of approximately HK$8,300,000, representing an increase of approximately HK$2,100,000 or 34.7% as compared to the one-off fair value gain on investment of approximately HK$6,200,000 when the Group derecognised the ASLAN Preference Shares during the FYE 2017. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the shares disposal in ASLAN were below 5%, the shares disposal transaction did not constitute a notifiable transaction for the Company; and 3) recognised impairment of approximately HK$1,300,000 for intangible assets in respect of healthcare product business during the Current Financial Year, representing a decrease of approximately HK$5,100,000 or 79.6% as compared to the impairment of goodwill and intangible assets in aggregate of approximately HK$6,400,000 for the FYE 2017. The above growth components were partly offset by non-cash exchange losses due to the continuous depreciation of Hong Kong dollar against RMB during the Current Financial Year, the Group recorded a net exchange loss of approximately HK$2,800,000, as compared to net exchange gain of approximately HK$3,700,000 for the FYE 2017 arising from the appreciation of Hong Kong dollar against RMB.

The Group completed the acquisition of Zhuhai Renhong Medicine Co., Ltd. on 4 December 2017 with the acquiree being renamed as Tianda Chinese Medicine (China) Limited subsequently to promote its investment and development in the Traditional Chinese Medicine (TCM) industry. However, a loss of approximately HK$2,100,000 was recorded for the Current Financial Year as the business is in the phase of consolidation after the acquisition.

Based on the foregoing, profit attributable to owners of the parent for the Current Financial Year was approximately HK$10,000,000, representing a decrease of 19.6% as compared to approximately HK$12,400,000 for the FYE 2017, representing basic and diluted earnings per share of HK0.47 cents (FYE 2017: HK0.58 cents).

The Group maintained its sound financial position, net cash flows from operating activities and net cash inflows increased from approximately HK$40,600,000 and approximately HK$25,900,000 for the FYE 2017 to approximately HK$58,800,000 and approximately HK$57,600,000 for the Current Financial Year respectively. As at 31 March 2018, the Group's cash and cash equivalents amounted to approximately HK$493,200,000 with no external borrowing, representing a net cash value per share equivalent to HK22.9 cents. The current ratio and quick ratio decreased from 7.53 and 6.97 for the FYE 2017 to 4.58 and 4.31 for the Current Financial Year respectively. The decrease in the ratios was mainly due to the significant increase in both trade receivables and other payables on marketing expenses arising from change in sales model in response to the implementation of the Two-Invoice System.

BUSINESS REVIEW

During the Current Financial Year, through managerial and technological innovation, the operation team has successfully widened the Group's supply side, implemented material procurement and bidding in bulk volume, strengthened production standardisation assessment, achieved cost and consumption reduction and enhanced efficiency; the Group also adhered to the strategy of controlling sales and stepped up its efforts in product promotion which contributed to sales growth. While further enhancing the performance of its existing business, the Group grasped the opportunities arising from the national policy of supporting the development of TCM. It will focus on nine components in three major aspects, namely "Chinese Medical Practice, Chinese Medicines and Smart TCM", and take the opportunity to build its presence in the TCM industry and strive to build new growth poles for the Company.

The Group views both research and development (R&D) and innovation as the important driving force for its long-term development and devised a five-year development plan for R&D accordingly. During the Current Financial Year, 1) process optimisation and sample preparation of Valsartan capsules Conformity Assessment Project commenced smoothly; 2) sufficient pharmaceutical research has been completed for Type Four glucose-lowering Acarbose and the Group is ready for conducting clinical research for the drug. The next step would be improvement of pharmaceutical research of Acarbose tablets and formal commencement of bioequivalence tests and other research works; 3) "dried tangerine peel plus" product project features dried tangerine peel, a Chinese herb in Canton regions, with the development of nine product series as its focus, namely dried tangerine peel candy series, lipid and blood sugar-lowering series, dampness removing and phlegm reducing series, spleen strengthening and digestion promotion series, antidote and liver protection series, heat clearance and dampness removal series, beauty maintenance series, bowels loosening and weight loss series, and sleeping improvement series; 4) development of healthcare products series based on ZhiKang Granules was carried out and the preparation of 21 samples of products derived from Zhikang Granules in small quantities has been completed; 5) over 100 products such as soup packages, tea bags, medicinal liquors, TCM paste and herbal tea products have been developed to cope with the development of TDMall, an innovative TCM medical chain center business; 6) in addition to the "Qi-Shangzhen oral solution", a healthcare product using notoginseng stalks as main ingredient, the Group is developing "notoginseng" series healthcare products; 7) received government awards or subsidises of over HK$2,000,000.

– The Group's sales network covers all provinces, cities and autonomous regions in the PRC. The pediatric series, namely Ibuprofen suspension and drops, Dex-pseud-chlorpeniramine syrup and Ambroxol HCl syrup, are successfully available for online procurement in most of the provinces and cities in China. Hospital sales increased steadily, of which the annual sales volume of "Tuoen" (Ibuprofen series) products broke through the 10 million bottles level; the Group also won bids for providing Cerebroprotein Hydrolysate Injection and Aceglutamide Injection and maintained high bid prices. As for the OTC market, through the organic integration of sales control model and academic promotion, the Group further strengthened its coverage and market competitiveness of the Company's products and brand in the third terminal sales network.

– "Herb Valley" series health products maintained its sales growth momentum. The business actively expanded its sales channels in Mainland China, Hong Kong and Australia, explored and attracted new customers, launched diversified product promotion programs, and stimulated consumers' purchasing power. A revamped e-commerce platform was officially re-launched at the end of 2017. The business strengthened its brand promotion efforts on WeChat and Weibo and continued to expand the exposure of "Herb Valley" healthcare products and Super Manuka Honey and improved the reputation of its products and brand continuously.

– By the end of the Current Financial Year, the Group entered into a three-year framework agreement with Shanghai Pharmaceuticals Holding Co., Ltd, the second largest shareholder of the Company, so as to strengthen both parties' cooperation over their products and marketing networks to promote joint development.

– The acquisition of Zhuhai Renhong Medicine Co., Ltd. was completed on 4 December 2017 with the acquiree being renamed as Tianda Chinese Medicine (China) Limited subsequently. The company possesses the Good Supply Practice for Pharmaceutical Products Certification (GSP Certification) and this marked the commencement of Chinese herbal medicines, TCM decoction pieces and Chinese patent medicines business of the Group.

– In April 2018, the Group entered into an acquisition agreement to acquire the entire interest in a company that possesses the Good Manufacturing Practice for Pharmaceutical Products Certification (GMP Certification) and engaged in the manufacturing of TCM decoction pieces at a cash consideration of approximately HK$3,000,000. The acquisition added an important component to the Group's ongoing development of its fully-integrated TCM industry value chain. The acquisition is subject to fulfillment of conditions by the seller and is expected to be completed shortly. The Group will issue a voluntary announcement in this respect in due course.

– The new R&D and pharmaceutical production base in Jinwan District, Zhuhai will be constructed in two phases. The first phase covers the construction of ancillary facilities for various existing pharmaceutical products and newly-developed TCM decoction pieces and TCM preparation operations of Tianda Pharmaceuticals (Zhuhai) and ancillary facilities required for R&D. During the Current Financial Year, the cost, quality control and safety management and other aspects of the base construction have all been effectively monitored and all work has been progressing smoothly. It will be completed by the end of 2019 and will commence operation in mid-2020.

OUTLOOK

The Group will integrate its R&D resources and implement a five-year R&D plan; step up its efforts to develop innovative drugs with intellectual property rights, undergo comprehensive R&D plan for TCM technology and product, stay at the forefront of modern medical science and technology, and capitalise on investment and development opportunities. The Group will also integrate its marketing resources, formulate five-year marketing plan; explore opportunities in the international market based on its strong foundation in the PRC market, build four marketing teams for Tianda Pharmaceuticals (China), TCM (China), Tianda Pharmaceuticals (Australia) and Tianda Pharmaceuticals (Hong Kong) respectively, further improve the e-commerce platform of “Herb Valley”; strengthen and devote additional resources to new market development, strengthen the reputation of “Tianda” brand and various brands of the Group, and strengthen the building of new sales growth drivers and new competitive products, and with concerted effort, the Group is committed to developing “Herb Valley” healthcare products as another source of profit with “Qi-Shangzhen oral solution” and Super Manuka Honey series will take the role to spur the development, it will also adopt a multi-pronged approach and develop its proprietary patented product, ZhiKang Granules, into another well-known product; promote the development of TCM and TCM decoction pieces business in both domestic and foreign markets, and commence the operation of TDMall in a steady and healthy manner. The Group will integrate its management resources to accelerate its five-year development plan; leverage on opportunities arising from human resources integration as a breakthrough to promote the rational deployment of various management resources which cover financial assets, production and operation, material procurement, quality control, and information technology, make the best use of its talents and resources available, further improve efficiency and effectiveness; take innovation as an initiative to effectively implement flat management, intensive management and collaborative management. The “three integrations” mentioned above will be the Group’s starting point for future development. The Group will strive for its organic growth and move forward steadily and is committed to developing into a comprehensive pharmaceuticals enterprise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains steady and healthy. As at 31 March 2018, the Group's cash and cash equivalents was approximately HK$493,200,000 (31 March 2017: approximately HK$399,300,000), of which approximately 16.2%, 76.8% and 6.7% were denominated in Hong Kong dollars, Renminbi and New Taiwanese dollars respectively with remaining in Australian dollars, United States dollars and Euros. The Group has no external borrowing as at 31 March 2018. Therefore, the Group has sufficient resources to meet its obligation and daily operations.

EXCHANGE RATE EXPOSURE

The Group's assets, liabilities and transactions are substantially dominated in Hong Kong dollars, Renminbi, Australian dollars, United States dollars and New Taiwanese 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 minimise 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 risks as at 31 March 2018 and 31 March 2017.

CHARGES ON ASSETS

As at 31 March 2017, the Company pledged certain bank deposits in favor of a bank to secure bank facilities granted to the Company. The bank facilities were undrawn during the years ended 31 March 2018 and 31 March 2017. The pledge has been released during the year ended 31 March 2018.

EMPLOYEES

The Group has approximately 481 employees in Hong Kong, Mainland China and Australia as at 31 March 2018. The Group remunerates its employees based on market terms and the qualification and experience of the employees concerned.

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

During the FYE 2018, the Company repurchased a total of 160,000 ordinary shares of HK$0.1 each on the Stock Exchange of Hong Kong at a total consideration of HK$48,950 (excluding the transaction cost). All the repurchased shares were subsequently cancelled. Details of the shares repurchased during the period are set out as follows:

Month of repurchase	**Number of shares**	**Repurchase price per share**		**Total consideration** (excluding transaction cost)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
February 2018	100,000	0.310	0.300	30,500
March 2018	60,000	0.310	0.305	18,450
	160,000			48,950

Subsequent to 31 March 2018, the Company repurchased 70,000 ordinary shares on the Stock Exchange of Hong Kong at a total consideration of HK$21,050 (excluding the transaction cost) from 1 April 2018 to the date of this announcement. These shares were cancelled upon repurchase. Details of the repurchased shares subsequent to 31 March 2018 are set out as follows:

Month of repurchase	**Number of shares**	**Repurchase price per share**		**Total consideration** (excluding transaction cost)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
April 2018	20,000	0.305	0.305	6,100
May 2018	50,000	0.305	0.295	14,950
	70,000			21,050

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would benefit shareholders as a whole by enhancing the earnings per share of the Company. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the FYE 2018 and up to the date of this announcement.

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 FYE 2018 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 of A.2.1 of the CG Code, the roles of the 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 business current operation and the size of the Group, the Board is of the view that Mr. Fang Wen Quan acting as both the Chairman of the Board and the Managing Director of the Company is acceptable and in the best interest 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 2018.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has recommended the payment of a final dividend of HK0.35 cents per share for FYE 2018 (FYE 2017: HK0.57 cents per share). Subject to shareholders' approval at the forthcoming 2018 annual general meeting (AGM), the said final dividend is expected to be paid in September 2018. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2018 AGM 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, 28 June 2018

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 Dr. LAM Lee G.; and the independent non-executive Directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa.