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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 2020**

### **HIGHLIGHTS**

Revenue was approximately HK\$187,400,000 (Last Corresponding Period: approximately HK\$262,300,000), representing a decrease of 28.6%.

Gross profit margin was at 66.3% (Last Corresponding Period: 78.6%), representing a decrease of 12.3 percentage points.

Loss attributable to owners of the parent amounted to approximately HK\$15,600,000 (Last Corresponding Period: profit attributable to owners of the parent approximately HK\$2,600,000).

The Group's financial position remained robust with bank balances and cash, including those attributable to a disposal group, of approximately HK\$246,700,000 (31 March 2020: approximately HK\$312,000,000).

The board of directors (the Board) of Tianda Pharmaceuticals Limited (the Company) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the Group or Tianda Pharmaceuticals) for the six months ended 30 September 2020 (the Reporting Period), together with comparative figures for the corresponding period in 2019 (the Last Corresponding Period). 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 2020

	Notes	Six months ended 30 September 2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
<b>REVENUE</b>	4	<b>187,364,182</b>	262,252,077
Cost of sales		<b>(63,051,829)</b>	(56,247,646)
Gross profit		<b>124,312,353</b>	206,004,431
Other income, gains and losses		<b>4,042,167</b>	5,757,110
Selling and distribution expenses		<b>(103,770,945)</b>	(163,372,722)
Administrative expenses		<b>(34,863,536)</b>	(36,048,809)
Research and development expenses		<b>(7,312,563)</b>	(454,586)
Finance costs		<b>(149,155)</b>	(172,299)
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(17,741,679)</b>	11,713,125
Income tax credit/(expense)	6	<b>2,150,986</b>	(4,396,270)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(15,590,693)</b>	7,316,855
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<i>Other comprehensive income/(loss) not be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value on financial assets at fair value through other comprehensive income		<b>2,480,975</b>	(5,487,959)
Exchange differences on translation of the Company's financial statements		<b>6,480,288</b>	(7,946,008)
		<b>8,961,263</b>	(13,433,967)
<i>Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>24,637,109</b>	(35,056,290)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>33,598,372</b>	(48,490,257)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>18,007,679</b>	(41,173,402)

	<b>Six months ended 30 September</b>	
<i>Note</i>	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(Loss)/profit attributable to:		
Owners of the parent	<b>(15,550,910)</b>	2,605,704
Non-controlling interests	<b>(39,783)</b>	4,711,151
	<b><u>(15,590,693)</u></b>	<b><u>7,316,855</u></b>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	<b>16,803,040</b>	(43,768,382)
Non-controlling interests	<b>1,204,639</b>	2,594,980
	<b><u>18,007,679</u></b>	<b><u>(41,173,402)</u></b>
<b>(LOSS)/EARNINGS PER SHARE</b>		
<b>ATTRIBUTABLE TO ORDINARY</b>		
<b>EQUITY HOLDERS OF THE PARENT</b>		
Basic and diluted	<b>7 <u>(HK0.72 cent)</u></b>	<b><u>HK0.12 cent</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	232,383,793	169,904,578
Right-of-use assets		54,606,398	40,689,342
Goodwill		99,145,589	95,014,628
Other intangible assets		29,853,199	30,506,557
Deposit for acquisition of property, plant and equipment		1,556,821	1,882,893
Deposit for acquisition of a subsidiary		30,421,477	–
Financial assets at fair value through other comprehensive income		3,889,991	1,306,520
Total non-current assets		451,857,268	339,304,518
<b>CURRENT ASSETS</b>			
Inventories		51,352,990	48,374,124
Trade and bills receivables	10	102,036,470	91,365,463
Prepayments, deposits and other receivables		13,021,530	14,053,622
Structured deposits		–	3,904,728
Cash and cash equivalents		234,710,977	302,018,369
Assets of a disposal group classified as held for sale		401,121,967 141,321,207	459,716,306 134,101,692
Total current assets		542,443,174	593,817,998

	<i>Note</i>	<b>30 September 2020 HK\$ (Unaudited)</b>	<b>31 March 2020 HK\$ (Audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>41,318,655</b>	28,797,036
Other payables and accruals		<b>76,451,293</b>	90,710,463
Interest-bearing bank borrowings		<b>2,588,920</b>	607,735
Lease liabilities		<b>4,094,672</b>	4,331,556
Due to a fellow subsidiary		<b>638,596</b>	589,478
Tax payable		<b>4,315,276</b>	6,369,883
		<b>129,407,412</b>	131,406,151
Liabilities directly associated with the assets classified as held for sale		<b>14,588,008</b>	13,592,266
Total current liabilities		<b>143,995,420</b>	144,998,417
<b>NET CURRENT ASSETS</b>		<b>398,447,754</b>	448,819,581
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>850,305,022</b>	788,124,099

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	61,865,917	19,609,029
Lease liabilities	13,722,122	685,188
Deferred income	348,581	388,878
Deferred tax liabilities	6,335,259	7,678,216
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Total non-current liabilities	82,271,879	28,361,311
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>768,033,143</b>	<b>759,762,788</b>
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<b>EQUITY</b>		
Share capital	215,004,188	215,004,188
Reserves	521,780,353	507,772,367
	<hr/>	<hr/>
	736,784,541	722,776,555
Non-controlling interests	31,248,602	36,986,233
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>768,033,143</b>	<b>759,762,788</b>
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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 2020.

## 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, 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 HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 September 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.



### 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 the 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, and accordingly, no segment assets and liabilities are presented.

#### For the six months ended 30 September 2020

	Pharmaceutical and biotechnology business HK\$ (Unaudited)	Chinese medical business HK\$ (Unaudited)	Total HK\$ (Unaudited)
<b>Segment revenue (Note 4):</b>			
Sales to external customers	150,042,276	37,321,906	187,364,182
Intersegment sales	30,715	53,203	83,918
	<u>150,072,991</u>	<u>37,375,109</u>	<u>187,448,100</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(83,918)</u>
Revenue			<u><u>187,364,182</u></u>
<b>Segment results</b>	<b>(2,871,233)</b>	<b>(5,958,463)</b>	<b>(8,829,696)</b>
<i>Reconciliation:</i>			
Other income, gains and losses			1,698,150
Corporate and other unallocated expenses			<u>(10,610,133)</u>
Loss before tax			<u><u>(17,741,679)</u></u>

For the six months ended 30 September 2019

	Pharmaceutical and biotechnology business HK\$ (Unaudited)	Chinese medical business HK\$ (Unaudited)	Total HK\$ (Unaudited)
<b>Segment revenue (Note 4):</b>			
Sales to external customers	248,894,252	13,357,825	262,252,077
Intersegment sales	257,989	–	257,989
	<u>249,152,241</u>	<u>13,357,825</u>	<u>262,510,066</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(257,989)</u>
Revenue			<u><u>262,252,077</u></u>
<b>Segment results</b>	29,897,705	(10,189,373)	19,708,332
<i>Reconciliation:</i>			
Other income, gains and losses			1,863,457
Corporate and other unallocated expenses			<u>(9,858,664)</u>
Profit before tax			<u><u>11,713,125</u></u>

#### 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:

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Revenue from contracts with customers</i>		
Sales of pharmaceutical, biotechnology, healthcare products and Chinese medical products	<b>186,529,201</b>	262,123,109
Provision of Chinese medical services	<b>834,981</b>	128,968
	<u><b>187,364,182</b></u>	<u>262,252,077</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

For the six months ended 30 September 2020

Segments	Pharmaceutical and biotechnology business HK\$ (unaudited)	Chinese medical business HK\$ (unaudited)	Total HK\$ (unaudited)
<b>Type of goods or services</b>			
Sale of goods	150,042,276	36,486,925	186,529,201
Chinese medical services	–	834,981	834,981
Total revenue from contracts with customers	<u>150,042,276</u>	<u>37,321,906</u>	<u>187,364,182</u>
<b>Geographic markets</b>			
Mainland China	149,436,978	36,864,590	186,301,568
Hong Kong	342,089	436,167	778,256
Australia	263,209	21,149	284,358
Total revenue from contracts with customers	<u>150,042,276</u>	<u>37,321,906</u>	<u>187,364,182</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	150,042,276	36,486,925	186,529,201
Services rendered over time	–	834,981	834,981
Total revenue from contracts with customers	<u>150,042,276</u>	<u>37,321,906</u>	<u>187,364,182</u>

For the six months ended 30 September 2019

Segments	Pharmaceutical and biotechnology business HK\$ (unaudited)	Chinese medical business HK\$ (unaudited)	Total HK\$ (unaudited)
<b>Type of goods or services</b>			
Sale of goods	248,894,252	13,228,857	262,123,109
Chinese medical services	–	128,968	128,968
	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>
Total revenue from contracts with customers	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>
<b>Geographic markets</b>			
Mainland China	247,937,743	13,309,990	261,247,733
Hong Kong	532,698	47,835	580,533
Australia	423,811	–	423,811
	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>
Total revenue from contracts with customers	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	248,894,252	13,228,857	262,123,109
Services rendered over time	–	128,968	128,968
	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>
Total revenue from contracts with customers	<u>248,894,252</u>	<u>13,357,825</u>	<u>262,252,077</u>

## 5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Finance costs:		
Interest on lease liabilities	149,155	172,299
Cost of inventories sold	63,051,829	56,247,646
Depreciation of property, plant and equipment	4,409,598	4,606,255
Depreciation of right-of-use assets	3,043,487	2,948,182
Amortisation of other intangible assets	2,523,147	2,228,391
Loss on disposal of items of property, plant and equipment, net	64,174	20,949
Gain on disposal of right-of-use assets	(53,649)	—
(Reversal of)/provision of impairment losses on financial assets, net:		
Trade and bills receivables	(35,215)	108,749
Financial assets included in prepayments, deposits and other receivables	25,969	19,167

## 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 2019: Nil). Tax on profits assessable in Mainland China has been calculated at the applicable Mainland China corporate income tax ("CIT") rate of 25% (Six months ended 30 September 2019: 25%), except for Yunnan Meng Sheng Pharmaceutical Co., Ltd. ("Meng Sheng Pharmaceutical") and Tianda Pharmaceuticals (Zhuhai) Ltd. ("Tianda Pharmaceuticals (Zhuhai)"), subsidiaries of the Group. Meng Sheng Pharmaceutical is established in the Kunming economic development zone. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng Pharmaceutical is engaged in Western China Development and was entitled to a preferential tax rate of 15% during the period (Six months ended 30 September 2019: 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 2022. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current – Mainland China		
Charge for the period	<b>820,386</b>	1,805,132
(Over)/under-provision in prior periods	<b>(1,775,653)</b>	1,349,717
Withholding tax		
Charge for the period	<b>424,250</b>	–
Deferred tax	<b>(1,619,969)</b>	1,241,421
Total tax (credit)/charge for the period	<b><u>(2,150,986)</u></b>	<b><u>4,396,270</u></b>

## 7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2020 and 2019.

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(Loss)/profit attributable to ordinary equity holders of the parent for the purpose of basic and diluted (loss)/earnings per share	<b><u>(15,550,910)</u></b>	<b><u>2,605,704</u></b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	<b><u>2,150,041,884</u></b>	<b><u>2,150,041,884</u></b>

## 8. DIVIDENDS

The directors of the Company resolved not to declare any interim dividend for the period (six months ended 30 September 2019: nil).

During the six months ended 30 September 2020, a final dividend of HK0.13 cents per share, amounting to HK\$2,795,054 in aggregate, for the year ended 31 March 2020 was paid/payable to the shareholders of the Company.

During the six months ended 30 September 2019, a final dividend of HK0.11 cents per share, amounting to HK\$2,365,046 in aggregate, for the year ended 31 March 2019 was paid/payable to the shareholders of the Company.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment of HK\$58,784,502 (six months ended 30 September 2019: HK\$32,390,415). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of HK\$64,174 (six months ended 30 September 2019: HK\$23,918) for no cash proceeds (six months ended 30 September 2019: HK\$2,969), resulting in a loss on disposal of HK\$64,174 (six months ended 30 September 2019: HK\$20,949).

## 10. TRADE AND BILLS RECEIVABLES

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:

	<b>30 September 2020 HK\$ (Unaudited)</b>	<b>31 March 2020 HK\$ (Audited)</b>
Within 1 month	<b>84,901,113</b>	66,180,288
1 to 2 months	<b>7,565,385</b>	7,261,403
2 to 3 months	<b>2,294,511</b>	5,835,823
Over 3 months	<b>7,275,461</b>	12,087,949
	<b><u>102,036,470</u></b>	<b><u>91,365,463</u></b>

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.

## 11. TRADE PAYABLES

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

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Audited)
Within 2 months	<b>38,354,775</b>	26,226,913
2 to 3 months	<b>769,929</b>	308,228
Over 3 months	<b>2,193,951</b>	2,261,895
	<b><u>41,318,655</u></b>	<b><u>28,797,036</u></b>

Trade payables are non-interest bearing and are normally settled on a term of 30 to 60 days.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Affected by the adjustments to the national health insurance policies and the COVID-19 pandemic, as well as the increased investment in research and development in response to the Group's development strategy, the overall results of the Group for the six months ended 30 September 2020 (the Reporting Period) recorded a negative growth. The Group recorded a consolidated revenue of approximately HK\$187,400,000 from its principal activities, representing a decrease of 28.6% as compared with approximately HK\$262,300,000 for the six months ended 30 September 2019 (the Last Corresponding Period). Gross profit decreased by 39.7% from approximately HK\$206,000,000 for the Last Corresponding Period to approximately HK\$124,300,000 for the Reporting Period. Gross profit margin decreased from 78.6% for the Last Corresponding Period to 66.3% for the Reporting Period. Instead of a profit attributable to owners of the parent of approximately HK\$2,600,000 for the Last Corresponding Period, the Group suffered a loss attributable to owners of the parent of HK\$15,600,000 for the Reporting Period, representing a basic and diluted loss of HK0.72 cent per share for the Reporting Period (Last Corresponding Period: earnings per share of HK0.12 cent).

During the Reporting Period, the sales revenue of Tianda Pharmaceuticals (Zhuhai) Ltd. (Tianda Pharmaceuticals (Zhuhai)), a wholly-owned subsidiary of the Company, decreased by 16.8% to approximately HK\$91,900,000 for the Reporting Period from approximately HK\$110,400,000 for the Last Corresponding Period. Although the sales of Tuoping (Valsartan capsules), a drug for Cardio-Cerebrovascular disease and a major product of Tianda Pharmaceuticals (Zhuhai), increased significantly by 55.9% to approximately HK\$77,500,000 from approximately HK\$49,700,000 for the Last Corresponding Period, such increase in sales revenue failed to offset the decrease in the overall sales of the Group's anti-flu and respiratory drugs due to the precautionary measures against the COVID-19 pandemic, of which the sales revenue of Tuoan (Ibuprofen suspension and drops), a pediatric anti-flu and respiratory drug and a major product of Tianda Pharmaceuticals (Zhuhai), decreased by 78.5% from approximately HK\$42,300,000 for the Last Corresponding Period to approximately HK\$9,100,000 for the Reporting Period. In summary, the profit contribution from Tianda Pharmaceutical (Zhuhai) decreased by 22.0% from approximately HK\$14,100,000 for the Last Corresponding Period to approximately HK\$11,000,000 for the Reporting Period.

The sales revenue of Yunnan Meng Sheng Pharmaceutical Co., Ltd. (Meng Sheng Pharmaceutical) decreased significantly by 58.3% from approximately HK\$137,500,000 for the Last Corresponding Period to approximately HK\$57,300,000 for the Reporting Period, resulting in a loss attributable to shareholders of approximately HK\$58,000 for the Reporting Period as compared with the profit contribution of approximately HK\$7,300,000 attributable to shareholders for the Last Corresponding Period. The sales volume of Cerebroprotein hydrolysate, another major product of the Group, decreased by 79% as compared to the Last Corresponding Period following its removal from the medical insurance catalog since early 2020, with its sales revenue decreased by 82.0% from approximately HK\$105,900,000 for the Last Corresponding Period to

approximately HK\$19,100,000 for the Reporting Period. Although the sales revenue of Aceglutamide, another drug of the Group for Cardio-Cerebrovascular disease, increased significantly by 40% to approximately HK\$37,100,000 for the Reporting Period from approximately HK\$26,500,000 for the Last Corresponding Period, it only offset a small portion of the decrease in the sales revenue of Cerebroprotein hydrolysate.

For the Traditional Chinese Medicine (TCM) business, the Chinese medicinal materials and TCM decoction slice business continued to perform well, with sales revenue doubled from approximately HK\$12,700,000 for the Last Corresponding Period to approximately HK\$35,300,000 for the Reporting Period, with an improved operating loss from approximately HK\$4,800,000 for the Last Corresponding Period to approximately HK\$2,400,000 for the Reporting Period. With respect to the investment in and operation of the modern Chinese medicine clinic TDMall, despite the impact on the number of patient visits due to the COVID-19 pandemic, TDMall still managed to record a significant increase in revenue from approximately HK\$660,000 for the Last Corresponding Period to approximately HK\$1,980,000 for the Reporting Period, with an improvement in operating loss from approximately HK\$4,900,000 for the Last Corresponding Period to approximately HK\$3,600,000 for the Reporting Period.

Selling and distribution expenses decreased by 36.5% to approximately HK\$103,800,000 for the Reporting Period from approximately HK\$163,400,000 for the Last Corresponding Period, mainly due to the decrease in overall sales revenue. Administrative expenses decreased by 3.3% to approximately HK\$34,900,000 from approximately HK\$36,000,000 for the Last Corresponding Period, mainly due to the recognition of expenses incurred for the opening of Zhuhai TDMall and the professional services fees in relation to the entering into an agreement with the controlling shareholder for the conditional disposal of the entire interest in Zhuhai Tianda Realty Limited constituting a connected transaction of the Company in the Last Corresponding Period. Research and development expenses recorded a substantial increase from approximately HK\$450,000 for the Last Corresponding Period to approximately HK\$7,300,000, mainly due to the Group's adjustment and enrichment of its development strategy to strengthen product research and development and increase investment in research and development, causing the substantial increase in research and development expenses for generic drugs and Classic Ancient Prescription TCM compound preparations during the Reporting Period.

During the Reporting Period, the Group recorded other income and net gains of approximately HK\$4,000,000, representing a decrease of approximately HK\$1,800,000 as compared with approximately HK\$5,800,000 for the Last Corresponding Period. Such decrease was mainly due to the decrease in the Group's bank balances to allocate funds for the construction of the new R&D and production base project, and the decrease in bank deposit interest rates, resulting in the decrease in interest income from bank deposits and structured deposits from approximately HK\$5,100,000 for the Last Corresponding Period to approximately HK\$2,600,000 for the Reporting Period. On the other hand, during the Reporting Period, the Group received subsidies of approximately HK\$1,200,000 in total under various government anti-epidemic measures, which offset the impact of the decrease in interest income.

The Group's financial position remained robust. As at 30 September 2020, the Group's bank deposits, bank balances and cash amounted to approximately HK\$246,700,000. The construction of the Group's new R&D and production base in Jinwan District, Zhuhai, China continued to progress. As at 30 September 2020, the Group's accumulated investment in the construction in progress amounted to approximately HK\$176,700,000, while as at 30 September 2020, the Group's capital commitments in respect of the construction of the new R&D and production base amounted to approximately HK\$147,400,000. The Group secured bank loans dedicated for the new R&D and production base project. Together with the Group's own bank deposits and cash reserves, the Group would have sufficient resources available to meet the funds required for the completion of the project.

## **BUSINESS REVIEW**

During the Reporting Period, the Group's business was affected amid the ongoing national healthcare system reform and the uncertain pandemic situation. The Group responded proactively by adjusting and enriching its development strategy to embrace the "three developments" as the core, namely "the development of the Chinese medicine business as the foundation, the development of innovative medicines and medical technologies, and the development of quality medical and healthcare services". Through the consolidation of R&D, marketing and management resources, strengthening product development and increasing investment in research and development, the Group improved and expanded its generic drugs business while pushing forward the comprehensive development of the TCM business, with remarkable progress achieved.

During the Reporting Period, the ongoing national health insurance policy adjustments remained a challenge for the industry. Cerebroprotein hydrolysate, a major product of the Group, was significantly impacted after its removal from the medical insurance catalog since early 2020. Restricting public mobility in Mainland China as a precautionary measure for the COVID-19 pandemic caused a sharp decrease in the number of hospital visits especially by pediatric patients and amount of hospital drug prescriptions for flu. Furthermore, strict control was imposed on the sale of antipyretic and cough suppressant drugs by non-medical institutions during the COVID-19 pandemic, which influenced the sales volume and sales revenue of the Group's pediatric anti-flu and respiratory drugs including its major product, Tuo'en. To strengthen the sales of Zhikang Granules (脂康顆粒) and Yi An Huisheng Decoction (益安回生口服液), two exclusive proprietary Chinese medicines of the Group, and further to the signing of an agreement on the intention to transfer the approval for the Xiaoe Qingre Zhike Granule (小兒清熱止咳顆粒), a proprietary Chinese medicine, as well as a collaboration agreement on the sales of an exclusive and heavy product, Qian Lie Bi Er Tong Shuan (前列閉爾通栓), the Group has established a dedicated sales team for the sales of proprietary Chinese medicines. It is expected that these efforts would generate new sales growth in the second half of the year. Meanwhile, the Group strived for its products to be included in the national centralized drug procurement list, with remarkable results achieved. Valsartan capsules, a major product of the Group, succeeded securing first place in the tender in the nation's Third Round of Centralized Drug Procurement with Target Quantity for a term of three years. The annual sales volume of Valsartan capsules to hospitals is expected to reach over 400 million capsules, securing the first rank in the nation, which will also drive the rapid growth of the Group's sales volume of this product in the OTC drug market while greatly enhancing the reputation of Valsartan capsules. The "Herb Valley" series health product business continued to launch new products with the Manuka Honey to strengthen its market competitiveness in Mainland China, Hong Kong and Australia.

During the Reporting Period, the Group's R&D team continued their efforts in accordance with the Group's strategies and market demands, with steady progress achieved: 1) Valsartan capsules passed the conformity assessment, obtained supplementary application approval, and subsequently came in first place in the tender in the nation's Third Round of Centralized Drug Procurement with Target Quantity; 2) commenced the pharmacological study of pediatric asthma drugs; 3) established the project for the conformity assessment of Ibuprofen suspension and Ibuprofen suspension drops and commenced the pharmacological study; 4) established the Nicorandil for injection and Bivalirudin for injection projects, of which the Nicorandil for injection project has entered the stage of signing of R&D contract and will commence the specific R&D work in the near future, while the preliminary preparatory work of research and development for the Bivalirudin for injection project has commenced as scheduled; 5) Of the TCM anti-epidemic formulae including "Anti-Epidemic Formula 1" (for prevention), "Anti-Epidemic Formula 2" (for remedy) and "Anti-Epidemic Formula 3" (for rehabilitation) developed in collaboration with a long list of authoritative TCM experts in the early days of the COVID-19 outbreak, the "Anti-Epidemic Formula 1" granules were approved for entry into the Australian Register of Therapeutic Goods as a listed medicine during the Reporting Period; while the pharmacological study and clinical trials and observations for "Anti-Epidemic Formula 1" as TDMall's first pharmaceutical preparation of medical institutions was launched; 6) the R&D of Classic Ancient Prescription TCM compound preparations continued; 7) applied cerebroprotein extraction technology in the development of daily chemical and food products; 8) developed TCM healthcare products such as tea bags, soup packages and TCM paste, medicine and food homologous health product series, facial masks series, health-preserving Pu-er tea products and disinfectant gel in line with TDMall business and market demands.

For its TCM business, the Group forges the entire TCM industrial chain from Chinese medicine practice, Chinese herbal medicine to the application of artificial intelligence in TCM. During the Reporting Period, 1) Tianda Chinese Medicine (China) Ltd. recorded significant growth in its principal activities, with its Chinese medicinal materials, TCM decoction slices and delivery business all showing significant growth as compared with the Last Corresponding Period, attributable to the strengthening of the integration and connectivity with its suppliers and customers along the procurement and sales chain; 2) Zhuhai Tianda Processed Chinese Herbal Medicine Ltd. produced and supplied a full range of TCM decoction slices to all business units of the Group, with the products filed for record basically covering all commonly used TCM decoction slices. It will also commence the production of medicine and food homologous healthcare products and new resource food to enrich its product offerings; 3) Tianda Chinese Medicine Institute and Zhuhai Tianda Chinese Medicine Research and Development Ltd. continued the optimization of "Tianda Standard" for regulating the quality of Chinese medicinal materials, by observing "the strictest standard", taking into account clinical needs, matching international advanced standards, in order to perfect the Tianda Chinese Medicine Quality Brand.

For the modern Chinese medicine clinic, further to the opening of Zhuhai TDMall and Hong Kong TDMall, the third TDMall set sail on Sydney Harbour in June this year. TDMall focuses on the development of specialties, including TCM Gynecology, TCM Paediatrics, TCM Bone Traumatology, TCM Internal Medicine, TCM Dermatology, acupuncture and “Tui Na” therapeutic massage, launching three specialties centres, namely TDMall Womb Caring Centre, TDMall Pain Management Centre and TDMall Health Management Centre. During the Reporting Period, TDMall continued to strengthen the construction of its medical service and operation system, as well as product development and marketing, achieving continuous growth in the overall patient attendance and revenue. At the same time, the Group has actively explored and developed a unique Chinese medicine model that integrates “Chinese Medicine” with innovative technologies including “Artificial Intelligence”, building a Chinese medicine cloud technology-enabled platform - “TDMall on Cloud” to provide online AI-enabled remote diagnosis and treatment. Sales of the “Anti-Epidemic Formula 1” granules, a TCM anti-epidemic product of the Group, have commenced sales in the Australian market since July 2020 after its approval for entry into the Australian Register of Therapeutic Goods in April 2020. The Group has entered into distribution agreements with major distributors and renowned Chinese medicine clinics in Australia for the cooperation in sales of the “Anti-Epidemic Formula 1” granules. Immediately following the end of the Reporting Period, on 5 October 2020, TDMall (Hong Kong) Limited, a wholly-owned subsidiary of the Group, entered into a share transfer and cooperation agreement with Dr. Yeung Ming Ha (Dr. Yang) for the proposed acquisition from Dr. Yang a 50.1% interest in Yeung & Young Medicare Centre Limited, which is principally engaged in Chinese medical consultation and treatment, and a 50.1% interest in Qi’s Living Company Limited, which is a wholly-owned subsidiary of Yeung & Young Medicare Centre Limited and is principally engaged in sales of TCM healthcare products, for a cash consideration of HK\$25 million. Along with this acquisition, the Group has further strengthened its ties with Dr. Yang, hiring her as the Chief Operating Officer of TDMall (Group), the parent company of TDMall (Hong Kong), for a period of not less than 15 years, to fully support Tianda Pharmaceuticals in the development of the TDMall business by leveraging her Chinese medicine professional experience and her network and influence in the Chinese medicine industry.

During the Reporting Period, the construction of the new R&D and production base of Tianda Pharmaceuticals (Zhuhai) in Jinwan, Zhuhai progressed in full swing. It is expected that the completion and acceptance of the base will be completed by the end of December this year, with the trial production scheduled to commence in January next year and the inspection for the granting of production permit to and the transfer of production to the new base scheduled to complete in March next year. The new R&D and production base will be equipped with modern R&D and quality control centres and individual production buildings for Chinese medicine and chemical medicine products respectively. The first phase will initially have five workshops and 10 production lines to support the Group’s business development.



## **OUTLOOK**

In the midst of the COVID-19 outbreak, the Group stays connected with people around the world more than ever, and is committed to the protection of people's health and preparing them for the fight against the pandemic. In line with its "three developments" strategy, the Group will seize the market opportunities in the post-pandemic era, continuing its provision of quality products and quality Chinese medical consultation and treatment, health and wellness services, as well as increasing its investment in the research and development of new drugs; leveraging the "TDMall on Cloud" to empower the value chain of Chinese medicine services and products, facilitate the precise matching between service providers and recipients in the industry, realize intelligence Chinese medicine practice, seek a leading role in the innovative development of Chinese medicine, and promote TCM for the betterment of human health. As always, the Group will firmly grasp the opportunities brought by the macro environment and government policies supporting the industry, striving to become an outstanding operator and service provider in the field of pharmaceutical and healthcare.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's liquidity continued to stay in a healthy position. As at 30 September 2020, the Group had bank deposits, bank balances and cash, including those attributable to a disposal group, totalling approximately HK\$246,700,000 (31 March 2020: HK\$312,000,000), of which approximately 4.0% and 95.3% were denominated in Hong Kong dollar and RMB respectively with the remaining in Australian dollar, Euro, Macau pataca and United States dollar. With this strong financial position, the Group has sufficient financial resources to meet its obligations and daily operational needs.

## **EXCHANGE RATE EXPOSURE**

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

The Group has sales and investments in foreign operations which use currencies other than its functional currency RMB. As such, the Group has some exposures to foreign currency risks. The management from time to time determines suitable measures, such as entering into forward currency contracts, to lessen exposure to exchange rate fluctuations in material transactions denominated in currencies other than RMB. The Group did not enter into any forward currency contracts to hedge its foreign currency risks as at 30 September 2020.

## **CHARGES ON ASSETS**

As at 30 September 2020, the Group pledged certain right-of-use assets property, plant and equipment and assets of a disposal group held for sale with carrying value approximately HK\$340,000,000 (31 March 2020: HK\$272,800,000) in aggregate to secure a bank loan facility grant to the Group.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 September 2020, the Group employed approximately 564 employees in Hong Kong, the PRC and Australia. The Group remunerates its employees based on market terms the qualifications and experience of the employees concerned.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Corporate Governance Code (the CG Code) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) during the six months ended 30 September 2020 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 current business 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.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors, they all confirmed that they had complied with the Model Code throughout the six months ended 30 September 2020.

## **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 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries had 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](http://www.tiandapharma.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report will be dispatched 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, 27 November 2020

*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.*