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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)

2021 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the Board) of Tianda Pharmaceuticals Limited (the Company) announces the unaudited interim results of the Company and its subsidiaries (the Group or Tianda Pharmaceuticals) for the six months ended 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	Six months ended 30 September 2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
REVENUE	4	236,519,844	187,364,182
Cost of sales		<u>(125,604,426)</u>	<u>(63,051,829)</u>
Gross profit		110,915,418	124,312,353
Other income, gains and losses, net		2,084,442	4,042,167
Selling and distribution expenses		(91,198,486)	(103,770,945)
Administrative expenses		(36,285,471)	(34,863,536)
Research and development expenses		(3,329,672)	(7,312,563)
Finance costs		(382,955)	(149,155)
LOSS BEFORE TAX	5	(18,196,724)	(17,741,679)
Income tax credit	6	199,181	2,150,986
LOSS FOR THE PERIOD		<u>(17,997,543)</u>	<u>(15,590,693)</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments designated at fair value through other comprehensive income		(3,215,184)	2,480,975
Exchange differences on translation of the Company's financial statements		2,441,663	6,480,288
		<u>(773,521)</u>	<u>8,961,263</u>
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of subsidiaries' financial statements		10,809,498	24,637,109
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>10,035,977</u>	<u>33,598,372</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(7,961,566)</u>	<u>18,007,679</u>

	Six months ended 30 September	
<i>Note</i>	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the parent	(17,947,386)	(15,550,910)
Non-controlling interests	(50,157)	(39,783)
	<u>(17,997,543)</u>	<u>(15,590,693)</u>
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(8,488,295)	16,803,040
Non-controlling interests	526,729	1,204,639
	<u>(7,961,566)</u>	<u>18,007,679</u>
LOSS PER SHARE ATTRIBUTABLE TO		
 ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	7 <u>(HK0.83 cent)</u>	<u>(HK0.72 cent)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	349,898,938	324,350,054
Right-of-use assets		52,491,103	53,428,596
Goodwill		105,167,108	103,269,153
Other intangible assets		24,847,858	27,784,868
Deposits		11,772,307	11,345,519
Equity investments designated at fair value through other comprehensive income		3,657,201	6,872,385
Total non-current assets		547,834,515	527,050,575
CURRENT ASSETS			
Inventories		74,668,483	64,392,952
Trade and bills receivables	10	133,979,245	145,208,965
Prepayments, deposits and other receivables		17,884,540	14,049,661
Cash and cash equivalents		202,231,251	234,984,677
Assets of a disposal group classified as held for sale		428,763,519 148,611,369	458,636,255 147,774,161
Total current assets		577,374,888	606,410,416
CURRENT LIABILITIES			
Trade payables	11	78,243,838	87,911,627
Other payables and accruals		75,824,145	81,127,855
Interest-bearing bank borrowings		20,360,544	18,894,201
Lease liabilities		4,676,805	4,177,767
Due to fellow subsidiaries		5,139,455	3,628,289
Tax payable		2,882,918	3,731,131
Liabilities directly associated with the assets classified as held for sale		187,127,705 15,478,375	199,470,870 14,763,580
Total current liabilities		202,606,080	214,234,450
NET CURRENT ASSETS		374,768,808	392,175,966
TOTAL ASSETS LESS CURRENT LIABILITIES		922,603,323	919,226,541

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	129,210,926	110,804,078
Lease liabilities	10,203,918	11,653,956
Deferred income	249,282	303,734
Deferred tax liabilities	5,996,108	5,970,009
	<hr/>	<hr/>
Total non-current liabilities	145,660,234	128,731,777
	<hr/>	<hr/>
NET ASSETS	776,943,089	790,494,764
	<hr/>	<hr/>
EQUITY		
Share capital	215,004,188	215,004,188
Reserves	527,625,924	541,704,328
	<hr/>	<hr/>
	742,630,112	756,708,516
Non-controlling interests	34,312,977	33,786,248
	<hr/>	<hr/>
TOTAL EQUITY	776,943,089	790,494,764
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021(early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Renminbi (“RMB”) based on the China Loan Prime Rate as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment 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 or services provided, being the Chinese medicine business, pharmaceuticals and medical technologies business and medical and healthcare services. The CODM monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. In addition, the CODM monitors the Group’s assets and liabilities as a whole, and accordingly, no segment assets and liabilities are presented.

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

Since the year ended 31 March 2021, for the purpose of better resource allocation and assessment of segment performance, the management has redefined and renamed the segments as “Chinese medicine business”, “Medical and healthcare services” (collectively, formerly known as “Chinese medical business”) and “Pharmaceuticals and medical technologies business” (formerly known as “Pharmaceutical and biotechnology business”) to reflect the latest business development.

Comparative figures of the segment information have been reclassified to conform with the current period’s presentation.

For the six months ended 30 September 2021

	Chinese medicine business HK\$ (Unaudited)	Pharmaceuticals and medical technologies business HK\$ (Unaudited)	Medical and healthcare services HK\$ (Unaudited)	Total HK\$ (Unaudited)
Segment revenue (note 4):				
Sales to external customers	58,022,812	174,943,067	3,553,965	236,519,844
Intersegment sales	474,289	203,955	–	678,244
	<hr/> 58,497,101	<hr/> 175,147,022	<hr/> 3,553,965	<hr/> 237,198,088
<i>Reconciliation:</i>				
Elimination of intersegment sales				<hr/> (678,244)
Revenue				<hr/> <hr/> 236,519,844
Segment results	(2,082,785)	(4,202,653)	(4,435,363)	(10,720,801)
<i>Reconciliation:</i>				
Other income, gains and losses, net				1,045,465
Corporate and other unallocated expenses				<hr/> (8,521,388)
Loss before tax				<hr/> <hr/> (18,196,724)

For the six months ended 30 September 2020

	Chinese medicine business HK\$ (Unaudited)	Pharmaceuticals and medical technologies business HK\$ (Unaudited)	Medical and healthcare services HK\$ (Unaudited)	Total HK\$ (Unaudited)
Segment revenue (note 4):				
Sales to external customers	35,341,950	150,042,276	1,979,956	187,364,182
Intersegment sales	185,936	30,715	–	216,651
	<u>35,527,886</u>	<u>150,072,991</u>	<u>1,979,956</u>	<u>187,580,833</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(216,651)</u>
Revenue				<u><u>187,364,182</u></u>
Segment results	(2,401,204)	(2,871,233)	(3,557,259)	(8,829,696)
<i>Reconciliation:</i>				
Other income, gains and losses, net				1,698,150
Corporate and other unallocated expenses				<u>(10,610,133)</u>
Loss before tax				<u><u>(17,741,679)</u></u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of pharmaceutical, biotechnology and healthcare products	174,943,067	150,042,276
Sale of Chinese medicine products	59,902,970	36,486,925
Provision of Chinese medical services	1,673,807	834,981
	<u>236,519,844</u>	<u>187,364,182</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2021

Segments	Pharmaceuticals			Total
	Chinese medicine business HK\$ (Unaudited)	and medical technologies business HK\$ (Unaudited)	Medical and healthcare services HK\$ (Unaudited)	
Types of goods or services				
Sale of products	58,022,812	174,943,067	1,880,158	234,846,037
Chinese medical services	–	–	1,673,807	1,673,807
Total revenue from contracts with customers	<u>58,022,812</u>	<u>174,943,067</u>	<u>3,553,965</u>	<u>236,519,844</u>
Geographical markets				
Mainland China	58,022,812	174,669,488	2,124,894	234,817,194
Hong Kong	–	113,705	1,246,369	1,360,074
Australia	–	159,874	182,702	342,576
Total revenue from contracts with customers	<u>58,022,812</u>	<u>174,943,067</u>	<u>3,553,965</u>	<u>236,519,844</u>
Timing of revenue recognition				
Goods transferred at a point in time	58,022,812	174,943,067	1,880,158	234,846,037
Services rendered over time	–	–	1,673,807	1,673,807
Total revenue from contracts with customers	<u>58,022,812</u>	<u>174,943,067</u>	<u>3,553,965</u>	<u>236,519,844</u>

For the six months ended 30 September 2020

Segments	Chinese medicine business HK\$ (Unaudited)	Pharmaceuticals and medical technologies business HK\$ (Unaudited)	Medical and healthcare services HK\$ (Unaudited)	Total HK\$ (Unaudited)
Types of goods or services				
Sale of products	35,341,950	150,042,276	1,144,975	186,529,201
Chinese medical services	—	—	834,981	834,981
	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>
Total revenue from contracts with customers	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>
Geographical markets				
Mainland China	35,341,950	149,436,978	1,522,640	186,301,568
Hong Kong	—	342,089	436,167	778,256
Australia	—	263,209	21,149	284,358
	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>
Total revenue from contracts with customers	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>
Timing of revenue recognition				
Goods transferred at a point in time	35,341,950	150,042,276	1,144,975	186,529,201
Services rendered over time	—	—	834,981	834,981
	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>
Total revenue from contracts with customers	<u>35,341,950</u>	<u>150,042,276</u>	<u>1,979,956</u>	<u>187,364,182</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
<i>Finance costs: Interest on lease liabilities</i>	382,955	149,155
Cost of inventories sold	125,604,426	63,051,829
Depreciation of property, plant and equipment	4,718,117	4,409,598
Depreciation of right-of-use assets	2,741,488	3,043,487
Amortisation of other intangible assets	3,444,860	2,523,147
Loss on disposal of items of property, plant and equipment, net	15,435	64,174
Gain on termination of leases	–	(53,649)
Impairment of financial assets, net:		
Impairment/(reversal of impairment) of trade and bills receivables, net	140,545	(35,215)
Impairment of financial assets included in prepayments, deposits and other receivables, net	28,117	25,969

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 2020: 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 2020: 25%), except for Tianda Pharmaceuticals (Zhuhai) Ltd. ("Tianda Pharmaceuticals (Zhuhai)"), which is a subsidiary of the Group. Pursuant to relevant laws and regulations in the PRC, 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.

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	50,847	820,386
Overprovision in prior periods	(171,753)	(1,775,653)
Withholding tax		
Charge for the period	–	424,250
Deferred tax	(78,275)	(1,619,969)
Total tax credit for the period	(199,181)	(2,150,986)

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,150,041,884 (six months ended 30 September 2020: 2,150,041,884) in issue during the period.

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent for the purpose of basic and diluted loss per share	<u>(17,947,386)</u>	<u>(15,550,910)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>2,150,041,884</u>	<u>2,150,041,884</u>

8. DIVIDENDS

The directors of the Company resolved not to declare any interim dividend for the period (six months ended 30 September 2020: nil).

During the six months ended 30 September 2021, a final dividend of HK0.26 cent per share, amounting to HK\$5,590,109 in aggregate, for the year ended 31 March 2021 was paid/payable to the shareholders of the Company.

During the six months ended 30 September 2020, a final dividend of HK0.13 cent 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment of HK\$24,697,191 (six months ended 30 September 2020: HK\$58,784,502). In addition, the Group disposed certain items of property, plant and equipment with an aggregate carrying amount of HK\$44,784 (six months ended 30 September 2020: HK\$64,174), resulting in a loss on disposal of HK\$15,435 (six months ended 30 September 2020: HK\$64,174).

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 loss allowance for impairment of trade receivables, is as follows:

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
Within 2 months	116,316,952	119,388,389
2 to 3 months	2,168,265	9,855,152
Over 3 months	15,494,028	15,965,424
	<u>133,979,245</u>	<u>145,208,965</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. 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 and bills receivables are non-interest-bearing.

11. 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:

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
Within 2 months	65,591,534	80,631,010
2 to 3 months	2,620,244	1,660,465
Over 3 months	10,032,060	5,620,152
	<u>78,243,838</u>	<u>87,911,627</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group follows the strategy of “development of Chinese medicine business as foundation, development of innovative drugs and medical technologies, as well as development of quality medical and healthcare services”, increasing investment in research and development (“R&D”), enhancing product introduction, thereby driving the Group’s overall development. For the six months ended 30 September 2021 (the Reporting Period), all three business segments of the Group recorded significant business growth, with the total revenue for the Reporting Period reaching HK\$236.5 million, an increase of 26.2% compared to HK\$187.4 million for the six months ended 30 September 2020 (the Last Corresponding Period).

For the Chinese medicine business segment, revenue for the Reporting Period was HK\$58.0 million, representing an increase of 64.2% as compared with the Last Corresponding Period. Benefiting from the continuous integration of the procurement and sales chain and the expansion of sales channels, the Chinese medicinal materials and decoction pieces business recorded significant growth. In line with the national policies supporting the Traditional Chinese Medicine (TCM) industry, the Group has spent over five years establishing a complete TCM industrial chain layout, covering the trading of Chinese medicinal materials, production of TCM decoction pieces, R&D of TCM, a comprehensive Chinese medicine product portfolio, as well as domestic and overseas procurement and marketing network. Emphasizing authentic source, upholding professionalism and prioritizing standards, the Group has attached great importance to the quality of both medicinal materials and products and established the “Tianda Standard”, which exceeds the national quality standards for Chinese medicinal materials, to ensure the quality, reliability, controllability and traceability of our Chinese medicinal materials from the very beginning. The Group has also gradually implemented the strategy of constructing Chinese medicinal materials base and conducting trading business, covering the main production areas in China, utilizing various feasible methods to form mutually beneficial cooperation with partners such as medicinal materials farmers, cooperatives, distributors and pharmaceutical companies so as to build a nationwide and global business network for the Chinese medicinal business.

For the Pharmaceuticals and medical technologies business segment, revenue for the Reporting Period was HK\$174.9 million, representing an increase of 16.6% as compared with the Last Corresponding Period. The Group’s major product, Tuoping®Valsartan capsules, a medicine for cardio-cerebrovascular disease, is the No. 1 product of its kind in China in terms of sales volume and has been rewarded the “Special Fund in High-quality Economic Development for Promotion of Pharmaceutical Industry” by Zhuhai. The Group is seizing the opportunity of the success of Tuoping® in securing first place in the nation’s Third Round of Centralized Drug Procurement with Target Quantity to increase its sales volume, expand its brand influence and increase its OTC market share. Sales of the pediatric drugs, Tuoan®Ibuprofen suspension and Ibuprofen suspension drops, are returning to pre-pandemic levels as the COVID-19 pandemic is brought under control in China. The Group is expanding its sales team and sales channels to build Tuoan® into a well-known brand in China. This year marks the 20th anniversary of the establishment of Tianda Pharmaceuticals (Zhuhai) Limited, a major subsidiary of the Group. The

acceptance for the main construction work of its new R&D and production base in Jinwan, Zhuhai was completed in early November 2021 and production is scheduled to commence in January next year. It is poised to become a pharmaceutical and health industry base with high standard, quality and efficiency. In addition to the production of self-owned brand products, CDMO/CMO business is also in progress.

For the Medical and healthcare services segment, the Group's new modern Chinese medical clinic chain "TDMall" is based in the Guangdong-Hong Kong-Macao Greater Bay Area, expanding into the rest of China and foreign markets. TDMall business is in the investment and development stage and continues to grow in terms of revenue, with revenue for the Reporting Period reaching HK\$3.6 million, representing an increase of 79.5% as compared with the Last Corresponding Period. TDMalls have been opened in Zhuhai, Hong Kong and Sydney successively since 2019 with the aim to build the chain operation model under three different local laws and regulations for Chinese medicine. During the Reporting Period, the Group opened its fourth TDMall in the world and the second in Hong Kong through joint investment with an renowned Chinese medicine expert in the form of equity investment cooperation model. In the future, the equity investment cooperation model, together with other forms including franchising and mergers and acquisitions, will become a means for the rapid expansion of TDMalls with an aim to open 100 TDMalls within three years. At the same time, the Group is accelerating the establishment of a cloud technology based Chinese medicine platform "TDMall on Cloud", which integrates service resources such as Chinese medical clinics, Chinese medicine practitioners and Chinese medicine through Internet technology to provide services such as online intelligent consultation, online medical treatment and comprehensive health e-commerce to the public. Together, this online initiative and the physical TDMalls will develop "TDMall" into the leading brand of Chinese medical clinic.

Innovation and R&D work continue to progress steadily, with recent developments including: (1) progressed the R&D of three Classic Ancient Prescriptions, with two of which having completed the study of compound preparations against the material benchmark, and one of which having completed the study of the material benchmark to start the study of compound preparations against the standard; (2) completed the laboratory pharmacological research of "Anti-Epidemic Formula 1" medical preparations, having determined the key process parameters, and will carry out pilot scale process validation; (3) based on the in-depth exploration of the lipid-lowering efficacy of the existing Chinese proprietary medicine "Zhikang", completed the research on the formulation and preparation process of new Zhikang Plus and the trial production of small pilot samples; (4) fast-tracked the conformity assessment of Tuoan®Ibuprofen suspension and Ibuprofen suspension drops and started the pharmacological and clinical research work; (5) completed the preliminary process study and quality study of the Nicorandil for injection project and the renovation of the dedicated production line to prepare for the pre-pilot test and registered batch production; (6) started the pilot study for the project of montelukast sodium granules for pediatric asthma; (7) started the pharmacological trial study of the project of aminoglutethimide oral solution for pediatric cough; (8) completed the establishment of high-end generic drugs for diabetes; (9) used pig brain bioenzymatic digestion and the corresponding patented extraction

process to extend the development of anti-aging series of daily products and health food products, which have obtained the standard approval and production license; (10) developed Chinese medicine healthcare products such as tea bags, tea creams, soup packages and Chinese medicine paste, medicine and food homologous health product series, facial masks series and disinfectant gel health series products in line with market demands.

The Group has increased its business development (BD) efforts and integrated organically with R&D to improve the quality and quantity of R&D projects in its pipeline through external introduction, independent and collaborative R&D, further enriching its product lines and seeking cutting-edge technological and product opportunities globally to facilitate the Group's business development, with latest progress as follows: 1) for Chinese proprietary medicines, we have completed information analysis and variety selection of over 200 marketed Chinese proprietary medicine varieties and commenced pipeline technology matching evaluation, for the introduction of varieties with higher clinical value; 2) for innovative Chinese medicines, we have accelerated information collection of R&D results and variety selection of innovative Chinese medicines, focused on the development of Category 1.1 innovative Chinese medicines, cooperating with a number of first-class research institutes such as China Academy of Chinese Medical Sciences, Zhejiang University, Nanjing University of Chinese Medicine and Shanghai University of Traditional Chinese Medicine, and obtained the research results of a number of innovative Chinese medicines that follow theories of Chinese medicine and have satisfactory results on humans, to evaluate for project initiation; 3) for chemical drugs, we have focused on several key clinical areas to start product introduction and evaluated more than 100 products; and (4) we have commenced a strategic cooperation with Zhong Ji Longevity Science Group Limited, which is engaged in longevity medical services whereby both parties will jointly evaluate and invest in potential medical technology and medical service projects and recommend each other's services to their own members. The partnership will combine the strengths of Chinese medicine health services and longevity medical services, and will have far-reaching significance in promoting the development of Chinese medicine disease prevention and health management services.

OUTLOOK

The COVID-19 pandemic situation worldwide remains severe, coupled with the continuous deepening of China's healthcare reform, posing great challenges and opportunities to the pharmaceutical industry. China has proposed in the "14th Five-Year Plan and the Long-Range Objectives Through the Year 2035" to promote the inheritance and innovation of TCM, to emphasize on the equal importance and complementary advantages of Chinese and Western medicine, and to vigorously develop the Chinese medicine business, providing favorable policy support for the Group's business. The Group will continue to implement the "Three Developments" strategy, deepening the layout of its three business segments and actively evaluating merger and acquisition opportunities to accelerate the pace of business growth and scale expansion, so as to strive to become a leading pharmaceutical enterprise that sets its footholds in China while expanding its presence worldwide to make greater contribution to safeguarding the health of mankind.

FINANCIAL REVIEW

During the Reporting Period, all three business segments of the Group recorded significant revenue growth. Total revenue increased from HK\$187.4 million in the Last Corresponding Period to HK\$236.5 million in the Reporting Period. Revenue from the Chinese medicine business segment increased from HK\$35.3 million in the Last Corresponding Period to HK\$58.0 million for the Reporting Period, with a significant growth in Chinese medicinal materials and decoction pieces business. This is due to the national policies supporting the TCM industry, as well as the strengthening of the continuous integration in the procurement and sales chain and the expansion of sales channels. Revenue from the Pharmaceuticals and medical technologies business segment increased from HK\$150.0 million in the Last Corresponding Period to HK\$174.9 million for the Reporting Period. Revenue from the Group's major product, Tuoping®Valsartan capsules, decreased slightly to HK\$76.2 million for the Reporting Period from HK\$77.5 million in the Last Corresponding Period. The increase in sales volume offset the decrease in unit price of Valsartan capsules, which succeeded in securing first place in the nation's Third Round of Centralized Drug Procurement with Target Quantity during the second half of 2020. Revenue from our other major products, Tuoan®Ibuprofen suspension and Ibuprofen suspension drops, increased to HK\$37.6 million for the Reporting Period from HK\$9.1 million in the Last Corresponding Period, benefiting from the sales of the products gradually returning to pre-pandemic levels as the pandemic in China is brought under control. Revenue from the Medical and healthcare services segment increased to HK\$3.6 million for the Reporting Period from HK\$2.0 million in the Last Corresponding Period. TDMall business is in the investment and development stage and continues to grow in terms of revenue. During the Reporting Period, the Group opened its fourth TDMall through an equity investment cooperation model with an renowned Chinese medicine expert.

Gross profit decreased from HK\$124.3 million in the Last Corresponding Period to HK\$110.9 million in the Reporting Period, mainly due to the decrease in unit price and gross profit of Tuoping®Valsartan capsules after entering centralized drug procurement. The decrease in gross profit was offset by the decrease in selling and distribution expenses due to the change in sales model arising from centralized drug procurement. Selling and distribution expenses decreased from HK\$103.8 million in the Last Corresponding Period to HK\$91.2 million in the Reporting Period.

Other income and net gains decreased from HK\$4.0 million in the Last Corresponding Period to HK\$2.1 million in the Reporting Period, mainly due to the decrease in government subsidy income and interest income.

Administrative expenses increased from HK\$34.9 million in the Last Corresponding Period to HK\$36.3 million for the Reporting Period, mainly due to the increase in staff remuneration expenses as the Group expanded its workforce for the development of the three business segments.

R&D expenses decreased from HK\$7.3 million in the Last Corresponding Period to HK\$3.3 million in the Reporting Period, since major R&D expenditure are scheduled in the second half of the current financial year. The Group continues to increase its investment in R&D, strengthen its innovation efforts, accelerate technological advancement and optimize its product structure.

Income tax credit decreased from HK\$2.2 million in the Last Corresponding Period to HK\$0.2 million in the Reporting Period, of which mainly due to that the deferred tax credit arising from the capitalization of R&D expenses decreased from HK\$1.6 million in the Last Corresponding Period to HK\$0.1 million in the Reporting Period.

In summary, loss attributable to owners of the parent increased from HK\$15.6 million in the Last Corresponding Period to HK\$17.9 million in the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains strong. As at 30 September 2021, the Group had bank deposits, cash and bank balances of HK\$202.2 million (31 March 2021: HK\$235.0 million), of which approximately 9.8% and 89.3% were denominated in Hong Kong dollar and RMB respectively with the remaining in Australian dollar, Euro, Macau pataca and United States dollar, as well as unutilised bank loan facilities of HK\$77.8 million. With this strong financial position, the Group has sufficient financial resources to meet its operational and capital expenditure.

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 2021.

CHARGES ON ASSETS

As at 30 September 2021, the Group pledged certain right-of-use assets, property, plant and equipment and assets of a disposal group held for sale with carrying value HK\$466.7 million (31 March 2021: HK\$436.3 million) in aggregate to secure a bank loan facility grant to the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2021, the Group employed approximately 714 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 2021 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 has been the key leader of the Group, who has been primarily involved in formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the management team of the Group. Taking into account the continuation of the implementation of the Group's business plans, the Directors (including the Independent Non-executive Directors) consider 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 2021.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group's condensed consolidated financial information for the Reporting Period have not been reviewed or audited by the Company's independent auditor, but they have been reviewed by the audit committee of the Company. The audit committee of the Company comprises three Independent Non-executive Directors and a Non-executive Director. The audit committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the unaudited condensed consolidated financial information of the Company for the Reporting Period.

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

During the six months ended 30 September 2021, 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) and the Stock Exchange's website (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, 26 November 2021

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 and Mr. FENG Quanming; and the Independent Non-executive Directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa.