天大藥業有限公司
TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

2022 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 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	Six months ended 30 September 2022 HK$ (Unaudited)	2021 HK$ (Unaudited)
REVENUE	4	**249,855,532**	236,519,844
Cost of sales		**(127,667,639)**	(125,604,426)
Gross profit		**122,187,893**	110,915,418
Other income, gains and losses, net		**7,021,077**	2,084,442
Selling and distribution expenses		**(92,715,312)**	(91,198,486)
Administrative expenses		**(41,412,376)**	(36,285,471)
Research and development expenses		**(11,996,977)**	(3,329,672)
Finance costs		**(3,281,668)**	(382,955)
LOSS BEFORE TAX	5	**(20,197,363)**	(18,196,724)
Income tax credit	6	**1,073,339**	199,181
LOSS FOR THE PERIOD		**(19,124,024)**	(17,997,543)
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(526,889)**	(3,215,184)
Exchange differences on translation of the Company's financial statements		**(25,057,320)**	2,441,663
		(25,584,209)	(773,521)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of subsidiaries' financial statements		**(55,864,133)**	10,809,498
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(81,448,342)**	10,035,977
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(100,572,366)**	(7,961,566)

	Note	Six months ended 30 September 2022 HK$ (Unaudited)	2021 HK$ (Unaudited)
Loss for the period attributable to:			
Owners of the parent		**(16,349,097)**	(17,947,386)
Non-controlling interests		**(2,774,927)**	(50,157)
		(19,124,024)	(17,997,543)
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(94,840,100)**	(8,488,295)
Non-controlling interests		**(5,732,266)**	526,729
		(100,572,366)	(7,961,566)
		HK Cent	*HK Cent*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**(0.76)**	(0.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	**30 September 2022 HK$ (Unaudited)**	31 March 2022 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**348,881,692**	382,492,278
Right-of-use assets		**48,241,593**	50,592,779
Goodwill		**94,645,257**	106,213,773
Other intangible assets		**18,213,092**	21,937,188
Deposits		**19,266,619**	23,702,454
Equity investments designated at fair value through other comprehensive income		**1,240,073**	1,766,962
Total non-current assets		**530,488,326**	586,705,434
CURRENT ASSETS			
Inventories		**66,169,031**	74,894,274
Trade and bills receivables	10	**123,498,272**	141,743,768
Prepayments, deposits and other receivables		**22,471,027**	12,223,015
Structured deposits		**30,568,499**	14,583,400
Cash and cash equivalents		**232,855,120**	334,001,475
Total current assets		**475,561,949**	577,445,932
CURRENT LIABILITIES			
Trade payables	11	**74,058,502**	105,174,107
Other payables and accruals		**86,006,438**	95,443,695
Interest-bearing bank borrowings		**51,685,661**	57,258,840
Lease liabilities		**5,010,644**	4,602,712
Due to fellow subsidiaries		**7,571,338**	4,935,990
Tax payable		**3,651,931**	4,243,309
Total current liabilities		**227,984,514**	271,658,653
NET CURRENT ASSETS		**247,577,435**	305,787,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**778,065,761**	892,492,713

	30 September 2022 HK$ (Unaudited)	31 March 2022 HK$ (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**93,753,732**	90,634,555
Lease liabilities	**9,730,928**	7,936,798
Deferred income	**118,823**	194,037
Deferred tax liabilities	**3,499,749**	4,652,084
Total non-current liabilities	**107,103,232**	103,417,474
Net assets	**670,962,529**	789,075,239
EQUITY		
Share capital	**215,004,188**	215,004,188
Reserves	**429,279,621**	541,750,065
	644,283,809	756,754,253
Non-controlling interests	**26,678,720**	32,320,986
Total equity	**670,962,529**	789,075,239

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2022 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 2022.

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 2022, 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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.

For the six months ended 30 September 2022

	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	**32,668,824**	**210,769,277**	**6,417,431**	**249,855,532**
Intersegment sales	**1,029,712**	**55,049**	**–**	**1,084,761**
	33,698,536	**210,824,326**	**6,417,431**	**250,940,293**
Reconciliation:				
Elimination of intersegment sales				**(1,084,761)**
Revenue				**249,855,532**
Segment results	**(4,112,124)**	**(6,610,477)**	**(4,180,189)**	**(14,902,790)**
Reconciliation:				
Other income, gains and losses, net				**2,823,863**
Corporate and other unallocated expenses				**(8,118,436)**
Loss before tax				**(20,197,363)**

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
	58,497,101	175,147,022	3,553,965	237,198,088
Reconciliation:				
Elimination of intersegment sales				(678,244)
Revenue				236,519,844
Segment results	(2,082,785)	(4,202,653)	(4,435,363)	(10,720,801)
Reconciliation:				
Other income, gains and losses, net				1,045,465
Corporate and other unallocated expenses				(8,521,388)
Loss before tax				(18,196,724)

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 September	
	2022	2021
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of pharmaceutical, biotechnology and healthcare products	**210,769,277**	174,943,067
Sale of Chinese medicine products	**36,198,601**	59,902,970
Provision of Chinese medical services	**2,887,654**	1,673,807
	249,855,532	236,519,844

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2022

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	**32,668,824**	**210,769,277**	**3,529,777**	**246,967,878**
Chinese medical services	**–**	**–**	**2,887,654**	**2,887,654**
Total revenue from contracts with customers	**32,668,824**	**210,769,277**	**6,417,431**	**249,855,532**
Geographical markets				
Mainland China	**32,668,824**	**210,378,971**	**2,488,798**	**245,536,593**
Hong Kong	**–**	**252,469**	**3,604,895**	**3,857,364**
Australia	**–**	**137,837**	**323,738**	**461,575**
Total revenue from contracts with customers	**32,668,824**	**210,769,277**	**6,417,431**	**249,855,532**
Timing of revenue recognition				
Goods transferred at a point in time	**32,668,824**	**210,769,277**	**3,529,777**	**246,967,878**
Services rendered over time	**–**	**–**	**2,887,654**	**2,887,654**
Total revenue from contracts with customers	**32,668,824**	**210,769,277**	**6,417,431**	**249,855,532**

For the six months ended 30 September 2021

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	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	58,022,812	174,943,067	3,553,965	236,519,844
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	58,022,812	174,943,067	3,553,965	236,519,844
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	58,022,812	174,943,067	3,553,965	236,519,844

5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**127,667,639**	125,604,426
Depreciation of property, plant and equipment	**12,772,724**	4,718,117
Depreciation of right-of-use assets	**2,881,041**	2,741,488
Amortisation of other intangible assets	**3,569,115**	3,444,860
(Gain)/loss on disposal of items of property, plant and equipment, net	**(667,512)**	15,435
Impairment of financial assets, net:		
Impairment of trade and bills receivables, net	**84,601**	140,545
Impairment of financial assets included in prepayments, deposits and other receivables, net	**19,559**	28,117

6. INCOME TAX

No provision for Hong Kong profits tax and Australia income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and Australia during the period (Six months ended 30 September 2021: 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 2021: 25%), except for Tianda Pharmaceuticals (Zhuhai) Ltd. ("Tianda Pharmaceuticals (Zhuhai)") and Yunnan Meng Sheng Pharmaceutical Limited ("Meng Sheng Pharmaceutical"), subsidiaries 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. Meng Sheng Pharmaceutical is established in the Kunming Economic and Technological Development Zone. Pursuant to relevant laws and regulations in the PRC, Meng Sheng Pharmaceutical is engaged in Western China Development and is entitled to a preferential tax rate of 15% during the period (six months ended 30 September 2021: 25%). 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	
	2022	2021
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**487,398**	50,847
Overprovision in prior periods	**(855,115)**	(171,753)
Deferred tax	**(705,622)**	(78,275)
Total tax credit for the period	**(1,073,339)**	(199,181)

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 attributable to the owners of the parent, and the weighted average number of ordinary shares of 2,150,041,884 (six months ended 30 September 2021: 2,150,041,884) in issue during the period.

	Six months ended 30 September	
	2022	2021
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent for the purpose of basic and diluted loss per share	**(16,349,097)**	(17,947,386)
	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	**2,150,041,884**	2,150,041,884

8. DIVIDENDS

The directors of the Company resolved not to declare any interim dividend for the period (six months ended 30 September 2021: nil).

During the six months ended 30 September 2022, a final dividend of HK0.26 cent per share, amounting to HK$5,590,109 and special dividend of HK0.56 cent per share, amounting to HK$12,040,235, for the year ended 31 March 2022 was paid/payable to the shareholders of the Company.

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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired items of property, plant and equipment of HK$19,719,477 (six months ended 30 September 2021: HK$24,697,191). In addition, the Group disposed certain items of property, plant and equipment with an aggregate carrying amount of HK$109,618 (six months ended 30 September 2021: HK$44,784), resulting in a gain on disposal of HK$667,512 (six months ended 30 September 2021: a loss on disposal of HK$15,435).

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 2022 HK$ (Unaudited)	31 March 2022 HK$ (Audited)
Within 2 months	**83,137,090**	118,341,170
2 to 3 months	**11,429,662**	3,020,742
Over 3 months	**28,931,520**	20,381,856
	123,498,272	141,743,768

The Group's trading terms with its customers are mainly on credit, except for new customers where prepayment 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 trade payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	30 September 2022 HK$ (Unaudited)	31 March 2022 HK$ (Audited)
Within 2 months	**66,166,677**	91,728,581
2 to 3 months	**654,784**	1,013,020
Over 3 months	**7,237,041**	12,432,506
	74,058,502	105,174,107

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In recent years, the pharmaceutical industry's development has been under pressure in the face of a complex and challenging economic and market environment. In 2022, the reform of the medical and health system continued to intensify, with the National Healthcare Security Administration, National Administration of Traditional Chinese Medicine and other departments issuing several outline policy documents to promote the experience of the Sanming medical reform (三明醫改) and deepen the joint reform of the medical, health insurance and pharmaceutical industries.

As China continues to support the development of traditional Chinese medicine ("TCM"), there are ample development opportunities for the industry. In March 2022, the State Council published the "14th Five-Year Plan for the Development of TCM" specifying ten key tasks to promote the development of TCM during the "14th Five-Year Plan" period, covering various areas such as medical care, education, scientific research, industry, culture and international cooperation, to further strengthen the healthcare services capacity of TCM and improve the industry's quality development system.

In terms of drug innovation, the National Medical Products Administration issued the "Implementation Regulations of the Drug Administration Law (Draft Revisions)" (《中華人民共和國藥品管理法實施條例（修訂草案徵求意見稿）》) to encourage the improvement of the drug innovation system, support basic research, applied research and original innovation of drugs, support clinical value-oriented drug innovation, strengthen the protection of drug intellectual property rights, and improve the mechanisms for the independent innovation of drugs.

BUSINESS REVIEW

During the six months ended 30 September 2022 (the "Reporting Period"), the Group adhered to its strategy of "development of the Chinese medicine business as a foundation, development of innovative drugs and medical technologies, as well as development of quality medical and healthcare services", and leverages its market position in cardiovascular, cerebrovascular and pediatric drugs to further expand its influence in the sub-segments. At the same time, the Group continued to deepen its efforts in the field of TCM and the construction of market channels, while expanding the coverage of the "TDMall" and continuing to develop the whole TCM industry chain. In terms of research and development ("R&D"), the Group significantly increased its investment in R&D during the Reporting Period in order to accelerate the clinical progress of its R&D efforts with a view to develop more new products for the Group, which will serve as a new growth driver for its medium-to long-term development.

The Group's businesses cover three major segments, namely, Pharmaceuticals and medical technologies, Chinese medicine and Medical and healthcare services. During the Reporting Period, in the face of the ongoing economic slowdown in the region, the Group overcame various difficulties and strived to improve its performance, achieving a significant improvement compared with the same period of the previous year. By adopting a proactive marketing strategy, the Group's overall revenue improved by 5.6% to HK$249.9 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) also increased from a loss of HK$6.9 million in the same period last year to a profit of HK$2.3 million for the Reporting Period. On the other hand, the Group invested heavily in R&D as R&D expenses increased by 260% year-on-year ("YoY") to HK$12.0 million.

Growth trends of core products and increasing market share

The Group is deeply engaged in the fields of cardiovascular, cerebrovascular and pediatric diseases with a unique pipeline of generic products. The Group's Tuoping®Valsartan capsules, its core product for cardio-cerebrovascular disease, is the first place in the national collective procurement won the bid and No. 1 product in its category in the mainland China market by sales quantity, and the market share of its pediatric drug, Tuoen®Ibuprofen oral suspension, is among the top three in China. Tuoping® and Tuoen® have a market-leading position as best sellers due to their superior quality, good market placement and sound marketing strategies.

Tuoping® is an antihypertensive drug that has been used clinically for nearly two decades with significant efficacy and competitive pricing, making it a must-have product for patients to use at home. During the Reporting Period, sales of Tuoping® reached HK$92.3 million, representing a YoY increase of approximately 21%. With the increase in the number of medical institutions covered, the brand recognition of Tuoping® was further strengthened as more doctors and patients recognized its quality advantage. Tuoen® is a non-steroidal antipyretic and analgesic drug for children; With the relaxation of prevention and control measures, increased demand for the product and effective marketing strategies, sales reached HK$64.0 million during the Reporting Period, representing a YoY growth of approximately 70%.

In recent years, despite the normalization of centralized drug procurement putting pressure on drug prices, market demand has remained strong and grown steadily against the escalating consumption and an aging population. The Group will continue to expand its product sales across the board to improve profitability with increasing scale, and enhance both market share and brand influence so that more patients can benefit from high-quality products.

Further development of the Chinese medicine segment and expansion of the Chinese medicine sub-segments

The Group has largely developed the whole TCM industrial chain layout, covering the production of Chinese medicinal materials, the R&D of TCM decoction pieces and formula granules as well as innovative drugs, and international trading, with a compound annual growth rate of 73% in revenue in the past three financial years. During the Reporting Period, sales decreased by 44%, mainly due to the disruption in the logistics and supply chain as a result of the pandemic. The Group adopted more stringent credit measures in its trading business, and limited the sales quota for some customers. Nevertheless, the Group continues to increase its product portfolio, expand its sales channels and strengthen its sources of procurement and supply. As at the date of this announcement, the Group has completed the first export of TCM decoction pieces to Australia, and is also planning to import special resources of Chinese medicinal materials to China from overseas.

During the Reporting Period, the Group vigorously pursued the R&D of new Chinese medicines and the acquisition of proprietary Chinese medicine approvals, and accelerated the development of the TCM decoction pieces and formula granules business while also gooming talents for its TCM team. The Group has prioritized the TCM decoction pieces, formula granules and quality Chinese medicinal materials varieties businesses to drive the leapfrog development of the Chinese medicine business in the next three years.

Rapid profitability from Chinese medicine clinics and proactive exploration of business growth model

During the Reporting Period, the overall revenue of TDMalls increased by 81%. As the first clinic to adopt the equity investment cooperation model, TDMall (Tsim Sha Tsui) brought in medical experts as shareholders and to participate in the management. It made a profit eight months after its launch and became the first TDMall to make a profit, providing valuable experience and a model for the national and global expansion of TDMall. As at the date of this announcement, the Group is in the process of opening a TDMall in Shenzhen, marking another step forward in the Group's expansion into the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group attaches great importance to the recruitment and training of Chinese medicine practitioners, strictly controls the quality of its herbal materials and continuously improves the quality of its operating services, thereby accelerating the establishment of a high-standard, sustainable medical system, quality assurance system, product development system, marketing system, operating system and supply chain system. The Group will further improve its three specialties centers, namely the Womb Caring Center, the Pain Management Center and the Health Management Center, and also plans to establish a Cancer and Long-standing Disease Treatment Center to promote business growth with the aim of building a group management model for TCM chain clinics.

The Group's cloud technology based Chinese medicine platform "TDMall on Cloud" played an important role in the Group's "Free Consultation and Medicine" charity campaign, providing comprehensive remote Chinese medicine services to the Hong Kong citizens.

Enriching product pipelines

The Group is market-oriented and adheres to the combination of generic products and innovation to promote innovative drugs, generic drugs and drugs substances as a whole. Through independent R&D, cooperation with external R&D institutions, and the introduction of new projects, the product pipeline is constantly enriched. In 2022, the Group increased its investment in R&D, with R&D expenses increasing by 260% YoY to HK$12.0 million. With continuous R&D investment and efforts, it is believed that more new products will be brought to the Group in the next three to five years, bringing new strong growth drivers in the medium to long term.

The Group currently has 22 R&D projects underway, including one on a class I innovative Chinese medicine, three on classic ancient prescriptions of Chinese medicines for a new class III Chinese medicine, two on class III chemical drugs plus drugs substances, six on class IV chemical drugs, and ten on healthcare products. During the Reporting Period, the Group has been collaborating with a Chinese medicine research institute on innovative Chinese medicines for chronic heart failure, and is currently at the clinical trial study stage. The Group's chemical drug products mainly cover the areas of pediatric and antihypertensives treatments, and lipid lowering agents, antihyperglycemic agents, and antiangina pectoris agents.

The Group actively introduced approved proprietary Chinese medicine products. Following the acquisition of a proprietary Chinese medicine product, Xiaoer Qingre Zhike Granule (小兒清熱止咳顆粒) last year, the Group acquired a proprietary Chinese medicine in the digestive category, Jianerle Granule (健兒樂顆粒), thereby filling the gap in the Group's digestive products for children and continuing to expand its pediatric product categories.

Expansion of sales channel

The Group has established a large nationwide marketing network, covering the first terminal, which is mainly composed of urban public medical institutions and grassroots public medical institutions, the second terminal, which is mainly composed of the top 100 nationwide chain drugstores, and the third terminal, which is mainly composed of small chain drugstores, individual drugstores and private hospitals and clinics. During the Reporting Period, the Group's products were distributed through more than 1,100 distributors to 31 provinces, autonomous regions and municipalities, as well as in the regions of Hong Kong and Macao. The sales terminals cover more than 5,000 urban public hospitals above the county level, more than 14,000 grassroots public medical institutions and about 60,000 retail pharmacies nationwide.

The Group has taken advantage of the national and local centralized procurement policies to cover more medical terminals and enhance its brand influence, and has taken this opportunity to expand the coverage of retail pharmacies. At the same time, by increasing the investment in sales resources, the Group is able to tap into the county market to gain market coverage, laying a foundation for the Company's rapid growth and the introduction of innovative products in the future.

The Group continued to develop and launch healthcare products, effectively strengthened the establishment of online and offline healthcare product marketing teams, and expanded product sales channels including e-commerce and new media channels, in order to increases the sales scale of its healthcare products.

Improving production quality and efficiency and CDMO/CMO business

The Group's new R&D and production base in Zhuhai Jinwan District Biomedical Industrial Park (珠海金灣區生物醫藥產業園) officially commenced production. With an energy-saving and environmentally friendly garden-style factory design, the new base is divided into four areas and auxiliary facilities, namely, production and R&D, storage and logistics, administrative offices as well as living facilities, and is equipped with a large number of automatic and intelligent R&D and quality inspection, production and storage equipment and facilities. Meanwhile, a quality assurance system has been built based on the Pharmacopoeia of the PRC, British Pharmacopoeia and United States Pharmacopoeia, and has obtained GMP certification in China to ensure quality control, energy saving and emission reduction, and advanced management. The new factory, new process and new production line have formed a new modern production enterprise, which has comprehensively improved the manufacturing quality and technology applied to the products and enhanced the overall competitiveness of the enterprise, laying a solid foundation for the Group's expansion.

During the Reporting Period, the Group further increased its revenue streams through contract development and manufacturing organization ("CDMO") and contract manufacturing organization ("CMO") business models. As of the end of September 2022, the Group had signed seven projects for R&D technology services, mainly for liquid-finished dosages, and had completed the production of two projects during the Reporting Period. The CDMO/CMO business will continue to generate revenue for the Group in the future.

OUTLOOK

With the increasing and aging population, urbanization, and increased health awareness continuing to drive the growth in demand for pharmaceuticals, the pharmaceutical and healthcare markets will continue to expand, providing the pharmaceutical industry with promising development opportunities. As a pharmaceutical enterprise with a diversified product, technology and service layout and a strong sales team with full channel coverage, the Group is confident that it can give full play to its advantages, accelerate its development, expand its scale and improve its market position based on the solid foundation it has laid over the past two decades.

The Group will strive to build core product brands such as Tuoping® and Tuoen®, and focus on developing and increasing its advantages in cardiovascular and pediatric products. Meanwhile, it will increase its market share by increasing its sales network coverage and actively expanding its CDMO/CMO businesses so as to increase its revenue. The Group is dedicated to its strategy of expanding product lines to meet clinical needs. Leveraging its years of industry experience and considerable expertise in exploring clinical needs, the Group will develop products, especially large varieties, with market potential through the 'Three Developments' including business development (BD), investment and development (ID), and research and development (R&D) in the future to add momentum to the Group's long-term sustainable development.

Against the backdrop of the national policy of vigorously developing TCM, central and local governments continue to issue policies to encourage the development of TCM, which will be favorable to the development of Chinese medicine enterprises. The Group will grasp the policy dividend of TCM and continue to develop the whole industry chain, increasing the trading of Chinese medicinal materials focusing on varieties, while accelerating the development of TCM decoction pieces and formula granules, which have huge market potential. It will also actively invest in the R&D and introduction of innovative Chinese medicines, classic ancient prescriptions of Chinese medicines, finished dosages and proprietary Chinese medicines.

The Group will strengthen the operation of TDMall and accelerate its expansion through self-construction, franchising and mergers and acquisitions as well as different types of equity investment and cooperation, and will give priority to the expansion of the Guangdong-Hong Kong-Macao Greater Bay Area, while making plans for a national and global rollout. The Group will also focus on "user experience enhancement" to improve "TDMall on Cloud" for online and offline integration and to provide convenient, intelligent and quality Chinese medicine services to patients.

The Group will remain committed to its "Three Developments" strategy and strive to become a leading pharmaceutical enterprise with a foothold in China while expanding its presence worldwide to make greater contributions to the safeguarding of the health of mankind.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a 5.6% growth in revenue. Total revenue increased from HK$236.5 million in the same period of last year to HK$249.9 million in the Reporting Period. The revenue analysis by business segments is shown in the Business Review section above. Gross profit increased from HK$110.9 million in the same period of last year to HK$122.2 million in the Reporting Period, mainly due to the Group's efforts to enhance sales efficiency, improve revenue quality and reduce sales of lower margin products and those with a poor payment collection record. At the same time, the Group strictly controlled costs, and the selling and distribution expenses were maintained at a similar level as last year with a slight increase of 1.7% from HK$91.2 million in the same period of last year to HK$92.7 million for the Reporting Period, which was much lower than the increase in total revenue.

The increase in administrative expenses from HK$36.3 million in the same period of last year to HK$41.4 million for the Reporting Period was mainly due to the significant increase in depreciation and amortization of fixed assets of the Group's new R&D and production base in Jinwan District, Zhuhai, which commenced operation in early 2022. Meanwhile, upon the completion of the new R&D and production base, the interest expenses on bank loans related to the construction of the new R&D and production base could no longer be capitalized and had to be recorded in the statement of profit or loss, resulting in a significant increase in finance costs. R&D expenses increased from HK$3.3 million in the same period of last year to HK$12.0 million for the Reporting Period, with steady progress in innovation and R&D. The latest progress of major R&D projects is shown in the Business Review section above.

Other income and net gains increased from HK$2.1 million in the same period of last year to HK$7.0 million in the Reporting Period. Firstly, Tianda Pharmaceuticals (Zhuhai) was granted a government subsidy of HK$2.3 million for its excellent technology. In addition, the outbreak of a new wave of pandemic in the spring and summer of 2022 and the introduction of new subsidies to enterprises by the Chinese and Hong Kong governments respectively also led to an increase in government subsidy income, while the average daily bank balance during the Reporting Period was higher than the same period of last year, which increased the interest income from bank deposits of the Group.

Income tax credit increased from HK$0.2 million in the same period of last year to HK$1.1 million in the Reporting Period was mainly due to the overprovision in prior years.

In summary, loss attributable to owners of the parent decreased from HK$17.9 million in the same period of last year to HK$16.3 million in the Reporting Period. The change in profitability was mainly attributable to the operating performance of the Group as analyzed above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains strong. As at 30 September 2022, the Group had cash and cash equivalent of HK$232.9 million (31 March 2022: HK$334.0 million), of which approximately 96.1% were denominated in Renminbi ("RMB") with the remaining in Hong Kong dollar, Australian dollar, Euro, Macau pataca and United States dollar, as well as unutilised bank loan facilities of HK$42.8 million. As at 30 September 2022, the bank borrowings maturing in one year and maturing within two to five years amounted to HK$51.7 million and HK$93.8 million respectively, which were denominated in RMB and bear interest at the rate of China LPR + 1%. Since the borrowings are lesser than the cash and cash equivalents, there is no net debt (total borrowings less cash and cash equivalents) of the Group.

With this strong financial position, the Group has sufficient financial resources to finance its operational and capital expenditures.

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 2022.

CHARGES ON ASSETS

As at 30 September 2022, the Group pledged certain right-of-use assets and property, plant and equipment with carrying value HK$249.1 million (31 March 2022: HK$274.8 million) in aggregate to secure a bank loan facility grant to the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2022, the Group employed approximately 699 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 Reporting Period 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 Reporting Period.

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 Reporting Period, 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, 25 November 2022

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.