天大藥業有限公司
TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

FINAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

The board of directors (the Board) of Tianda Pharmaceuticals Limited (the Company) announces the consolidated results of the Company and its subsidiaries (the Group) for the nine months ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2022

	Notes	Nine months ended 31 December 2022 HK$'000	Year ended 31 March 2022 HK$'000
REVENUE	3	**410,021**	509,955
Cost of sales		**(221,380)**	(268,732)
Gross profit		**188,641**	241,223
Other income, gains and losses, net		**9,761**	16,805
Selling and distribution expenses		**(150,609)**	(198,003)
Administrative expenses		**(63,528)**	(71,459)
Research and development expenses		**(27,112)**	(15,859)
Finance costs		**(5,043)**	(725)
LOSS BEFORE TAX		**(47,890)**	(28,018)
Income tax credit	4	**3,647**	6,343
LOSS FOR THE PERIOD/YEAR		**(44,243)**	(21,675)
OTHER COMPREHENSIVE (LOSS)/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		**(1,026)**	(5,105)
Exchange differences on translation of the Company's financial statements		**(23,363)**	5,908
		(24,389)	803
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Release of exchange reserve upon disposal of a subsidiary		**–**	(104)
Exchange differences on translation of subsidiaries' financial statements		**(48,661)**	26,033
		(48,661)	25,929
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR		**(73,050)**	26,732
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR		**(117,293)**	5,057

	Note	Nine months ended 31 December 2022 HK$'000	Year ended 31 March 2022 HK$'000
Loss for the period/year attributable to:			
Owners of the parent		**(40,977)**	(19,771)
Non-controlling interests		**(3,266)**	(1,904)
		(44,243)	(21,675)
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(111,293)**	5,635
Non-controlling interests		**(6,000)**	(578)
		(117,293)	5,057
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		***HK Cent***	*HK Cent*
Basic and diluted	6	**(1.91)**	(0.92)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	**31 December 2022 HK$'000**	31 March 2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**352,442**	382,492
Right-of-use assets		**48,066**	50,593
Goodwill		**95,948**	106,214
Other intangible assets		**6,126**	21,937
Deposits		**26,972**	23,702
Equity investments designated at fair value through other comprehensive income		**741**	1,767
Total non-current assets		**530,295**	586,705
CURRENT ASSETS			
Inventories		**48,193**	74,894
Trade and bills receivables	7	**138,752**	141,744
Prepayments, deposits and other receivables		**26,385**	12,223
Due from a fellow subsidiary		**1,399**	–
Structured deposits		**3,167**	14,583
Cash and cash equivalents		**340,277**	334,002
Total current assets		**558,173**	577,446

	Notes	**31 December 2022** *HK$'000*	31 March 2022 *HK$'000*
CURRENT LIABILITIES			
Trade payables	8	**71,340**	105,174
Other payables and accruals		**207,330**	95,444
Interest-bearing bank borrowings	9	**64,674**	57,259
Lease liabilities		**5,630**	4,603
Due to fellow subsidiaries		**9,734**	4,936
Tax payable		**3,717**	4,243
Total current liabilities		**362,425**	271,659
NET CURRENT ASSETS		**195,748**	305,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**726,043**	892,492
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	9	**61,972**	90,634
Lease liabilities		**8,774**	7,937
Deferred income		**93**	194
Deferred tax liabilities		**962**	4,652
Total non-current liabilities		**71,801**	103,417
NET ASSETS		**654,242**	789,075
EQUITY			
Equity attributable to owners of the parent			
Share capital		**215,004**	215,004
Reserves		**412,827**	541,750
		627,831	756,754
Non-controlling interests		**26,411**	32,321
TOTAL EQUITY		**654,242**	789,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and structured deposits which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Change of financial year end date

Pursuant to a resolution of the Board dated 25 November 2022, the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2022 in order to align the financial year end date with that of the principal operating subsidiaries of the Company, which are statutorily required to fix their financial year end date at 31 December in the People's Republic of China. Accordingly, the accompanying consolidated financial statements for the current financial period covers a period of nine months from 1 April 2022 to 31 December 2022. The corresponding comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 April 2021 to 31 March 2022 and therefore are not comparable with those shown for the current period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 the 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* (the "Conceptual Framework") 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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 from 1 April 2022. As there was no modification or exchange 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.

3. REVENUE

An analysis of revenue is as follows:

	Nine months ended 31 December 2022 *HK$'000*	Year ended 31 March 2022 *HK$'000*
Revenue from contracts with customers		
Sale of pharmaceuticals, biotechnology and healthcare products	**344,717**	396,113
Sale of Chinese medicine products	**61,146**	110,189
Provision of Chinese medical services	**4,158**	3,653
	410,021	509,955

Revenue from contracts with customers

(i) Disaggregated revenue information

For the nine months ended 31 December 2022

Segments	Chinese medicine business	Pharmaceuticals and medical technologies business	Medical and healthcare services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or services				
Sale of products	**54,078**	**344,717**	**7,068**	**405,863**
Chinese medical services	**–**	**–**	**4,158**	**4,158**
Total revenue from contracts with customers	**54,078**	**344,717**	**11,226**	**410,021**
Geographical markets				
Mainland China	**54,078**	**344,285**	**5,217**	**403,580**
Hong Kong	**–**	**274**	**5,507**	**5,781**
Australia	**–**	**158**	**502**	**660**
Total revenue from contracts with customers	**54,078**	**344,717**	**11,226**	**410,021**
Timing of revenue recognition				
Goods transferred at a point in time	**54,078**	**344,717**	**7,068**	**405,863**
Services rendered over time	**–**	**–**	**4,158**	**4,158**
Total revenue from contracts with customers	**54,078**	**344,717**	**11,226**	**410,021**

For the year ended 31 March 2022

Segments	Chinese medicine business	Pharmaceuticals and medical technologies business	Medical and healthcare services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or services				
Sale of products	106,491	396,113	3,698	506,302
Chinese medical services	–	–	3,653	3,653
Total revenue from contracts with customers	106,491	396,113	7,351	509,955
Geographical markets				
Mainland China	106,491	395,450	4,012	505,953
Hong Kong	–	508	3,128	3,636
Australia	–	155	211	366
Total revenue from contracts with customers	106,491	396,113	7,351	509,955
Timing of revenue recognition				
Goods transferred at a point in time	106,491	396,113	3,698	506,302
Services rendered over time	–	–	3,653	3,653
Total revenue from contracts with customers	106,491	396,113	7,351	509,955

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Nine months ended 31 December 2022	Year ended 31 March 2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products and medical services	**13,898**	11,720

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of pharmaceuticals, biotechnology, healthcare and Chinese medicine products

The performance obligation is satisfied upon delivery of pharmaceuticals, biotechnology, healthcare and Chinese medicine products and payment is generally due within 60 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Provision of Chinese medical services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon customer acceptance.

4. INCOME TAX

No provision for Hong Kong profits tax, Macau complementary tax and Australia income tax have been made as the Group did not generate any assessable profits arising in Hong Kong, Macau and Australia during the period (year ended 31 March 2022: Nil). Tax on profits assessable in Mainland China has been calculated at the applicable Mainland China corporate income tax ("CIT") rate of 25% (year ended 31 March 2022: 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 the 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 the China Western Development Strategy and is entitled to a preferential tax rate of 15% during the period (year ended 31 March 2022: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Nine months ended 31 December 2022 *HK$'000*	Year ended 31 March 2022 *HK$'000*
Current – Mainland China		
Charge for the period/year	**541**	1,361
Overprovision in prior years	**(838)**	(6,212)
Withholding tax		
Charge for the period/year	**–**	60
Deferred tax	**(3,350)**	(1,552)
Total tax credit for the period/year	**(3,647)**	(6,343)

5. DIVIDENDS

	Nine months ended 31 December 2022 HK$'000	Year ended 31 March 2022 HK$'000
Final – HK0.26 cent (year ended 31 March 2022: HK0.26 cent) per share	**5,590**	5,590
Special – Nil (year ended 31 March 2022: HK0.56 cent) per share	**–**	12,040
	5,590	17,630

A final dividend of HK0.26 cent per share amounting to HK$5,590,000 in respect of the nine months ended 31 December 2022 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

6. 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/year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,150,041,884 (year ended 31 March 2022: 2,150,041,884) in issue during the period/year.

	Nine months ended 31 December 2022 HK$'000	Year ended 31 March 2022 HK$'000
Loss attributable to owners of the parent, used in basic loss per share calculation	**(40,977)**	(19,771)

	Number of shares	
	Nine months ended 31 December 2022	Year ended 31 March 2022
Weighted average number of ordinary shares in issue during the period/year for the purposes of basic loss per share calculation	**2,150,041,884**	2,150,041,884

The Group had no potentially dilutive ordinary shares in issue during the nine months ended 31 December 2022 and year ended 31 March 2022.

7. TRADE AND BILLS RECEIVABLES

	31 December 2022 HK$'000	31 March 2022 HK$'000
Trade receivables	**96,620**	96,191
Impairment	**(963)**	(560)
	95,657	95,631
Bills receivable	**43,095**	46,113
	138,752	141,744

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 range from 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of loss allowance for impairment of trade receivables, is as follows:

	31 December 2022 HK$'000	31 March 2022 HK$'000
Within 2 months	**105,161**	118,341
2 to 3 months	**3,275**	3,021
Over 3 months	**30,316**	20,382
	138,752	141,744

8. 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:

	31 December 2022	31 March 2022
	HK$'000	*HK$'000*
Within 2 months	**63,757**	91,729
2 to 3 months	**988**	1,013
Over 3 months	**6,595**	12,432
	71,340	105,174

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

9. INTEREST-BEARING BANK BORROWINGS

	31 December 2022			31 March 2022		
	Effective interest rate *(%)*	**Maturity**	**HK$'000**	Effective interest rate *(%)*	Maturity	*HK$'000*
Current:						
Bank loans – secured	**China Loan Prime Rate ("LPR") + 1%**	**2023**	**64,674**	China LPR + 1%	2022 - 2023	57,259
Non-current:						
Bank loans – secured	**China LPR + 1%**	**2024 - 2025**	**61,972**	China LPR + 1%	2023 - 2025	90,634
			126,646			147,893

	31 December 2022	31 March 2022
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**64,674**	57,259
In the second year	**53,554**	68,067
In the third to fifth years, inclusive	**8,418**	22,567
	126,646	147,893

REPORT OF THE CHAIRMAN

The continuous promotion of medical reform and the Healthy China Initiative by the Chinese Government have brought both opportunities and challenges for the pharmaceutical industry. The Group further implemented 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". The results of the Group's three major business segments continued to improve while consolidating core products, enriching product pipelines, further developing the traditional Chinese medicine ("TCM") industrial chain and expanding sales channels. At the same time, the Group increased its investment in research and development ("R&D") in order to speed up the product R&D and create a new growth point for sustainable development.

For the Pharmaceuticals and medical technologies business, the Group focuses on actively introducing, developing and acquiring innovative drugs, generic drugs and healthcare products, for cardiovascular and cerebrovascular, gynecological and pediatric, and respiratory system diseases. The new R&D and production base in Jinwan, Zhuhai commenced operations in the first half of 2022 and was poised to become a pharmaceutical and health industry base with high standards, quality and efficiency. At the end of 2022, the COVID-19 pandemic entered a new stage, and China implemented optimized pandemic prevention and control measures in response to the situation. The Group was fully engaged in the production of urgently needed drugs such as ibuprofen to support the national production and supply, making every effort to meet the urgent demand for drugs from the public. As at the date of this announcement, the Group's liquid-finished dosages production line was still at full capacity. The Group accelerated the expansion of the production capacity "unconventionally and efficiently" in only 3 months and established a newly built liquid-finished dosages production line. The Group's marketing team is actively strengthening its penetration in lower-tier markets to tap into the market potential in rural areas. We will enhance cooperation with the top 100 pharmacy chains in China to increase the market coverage of our products, aiming to significantly increase the sales scale.

For the Chinese medicine business, leveraging on the established TCM industrial chain layout, the Group focused on domestic and overseas trading of Chinese medicinal materials, production and sales, and distribution of TCM decoction pieces and formula granules, integrating special resources from upstream to downstream for the industry with a focus on variety management. During the Period, the Group acquired high-quality proprietary Chinese medicines from the market and focused on the R&D of pipelines. The Group has built and developed a series of Chinese medicine healthcare products, and gradually formed a layout for the R&D of Chinese medicine with a view of "larger markets, stronger R&D and accelerated product introduction", thereby realizing the leapfrog development of the Chinese medicine business.

For the Medical and healthcare services, the Group has steadily advanced the development of the modern Chinese medical clinic “TDMall”. Through self-construction, franchising and mergers and acquisitions, the Group’s priority is to expand in the Guangdong-Hong Kong-Macao Greater Bay Area, while making plans for a national and global rollout. At present, the revenue of the four existing TDMalls has been increasing steadily, and the fifth one will soon open in Shenzhen. During the COVID-19 pandemic outbreak at the end of 2022, Zhuhai TDMall supplied medicines and provided medical treatments in response to the urgent need of the public in Zhuhai while through “Cloud-based Global Anti-epidemic Chinese Medicine Platform”, TDMall on Cloud provided both Hong Kong and Mainland residents with free COVID-19 consultation service, supporting the fight against the pandemic.

In 2017, the Group decided to invest in the development of the TCM industry through in-depth market research and analysis in response to the national strategy of revitalizing TCM and the policy of developing the TCM industry. In 2020, the Group adjusted and optimized the development strategy, clearly putting forward the “Three Developments” strategy, and basically forming the layout of the whole industrial chain of Chinese medicine. In 2021, the Group formulated a ten-year development plan, identifying the development goal of achieving “double tens of billions” (雙百億) (“tens of billions of both sales and market value”) by 2030 and moving towards a 100 billion market value, as well as the corresponding “3D+1S” major initiatives (business development (BD), research and development (R&D), investment and development (ID), and marketing and sales (S)). After years of planning, development and experience, the Group is confident that we will have a promising future.

Last but not least, I would like to express my sincere gratitude to our shareholders, clients, staff and business partners for their unremitting confidence in and support for the Group, and also the Board of Directors for their efforts and contributions to the Group’s expeditious business growth.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END DATE

In order to align the financial year end date of the Company with that of the principal operating subsidiaries of the Company, the financial year end date of the Company has been changed from 31 March to 31 December. In view of this change, the current audited consolidated financial statements covered a period of nine months from 1 April 2022 to 31 December 2022 (the "Current Financial Period") and the audited comparative figures covered a period of twelve months from 1 April 2021 to 31 March 2022 (the "Previous Financial Year"). Due to the difference in the length of the reporting period, the audited comparative figures may not be fully comparable.

BUSINESS REVIEW

The Group's business covers three major segments, namely, pharmaceuticals and medical technologies, Chinese medicine and medical and healthcare services. During the Current Financial Period, the Group has made efforts to improve its operating performance, which represents a significant improvement during the Previous Financial Year. The Group recorded a total revenue of HK$410.0 million. Excluding R&D expenses and certain one-off gains and losses (see the Financial Review section for details), the adjusted loss attributable to owners of the parent narrowed from HK$23.0 million in the Previous Financial Year to HK$4.5 million in the Current Financial Period. The Group is committed to R&D with R&D expenses increasing from HK$15.9 million in the Previous Financial Year to HK$27.1 million in the Current Financial Period, in order to promote the clinical progress of pipelines under research, bringing more new products to the Group and becoming a new growth point for sustainable development.

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 third national collective procurement won the bid and No. 1 product in its category in the mainland China market by sales quantity. The product was identified as a branded product in Guangdong Province during the Current Financial Period and was awarded the Sales Award of Single Major Variety in Zhuhai City. 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.

During the Current Financial Period, sales of Tuoping® reached HK$148.3 million (Previous Financial Year: HK$173.8 million). 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. During the period from April to September 2022, the sales of Tuoen® increased by approximately 70% as compared with the corresponding period of last year. In December 2022, as China implemented optimized anti-pandemic measures, the market demand for COVID-19-related drugs increased sharply, further driving the growth of the sales volume of Tuoen® as it reached HK$118.8 million in the Current Financial Period (Previous Financial Year: HK$92.7 million).

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 Current Financial Period, sales amounted to HK$54.1 million (Previous Financial Year: HK$106.5 million). The decrease was due to the disruption in the logistics and supply chain as a result of the pandemic as well as the Group adopting more stringent credit measures in its trading business, and limiting 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.

During the Current Financial 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 grooming talents for its TCM team to realize the leapfrog development of the Chinese medicine business.

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

During the Current Financial Period, the overall revenue of TDMalls increased to HK$11.2 million (Previous Financial Year: HK$7.4 million). As the first clinic to adopt the equity investment cooperation model, TDMall (Tsim Sha Tsui) brought in medical expert as shareholder and to participate in the management. It made a profit eight months after its launch, providing valuable experience and a model for the national and global expansion of TDMall. As at the date of this announcement, Shenzhen TDMall is near the end of the preparatory stage, making another step forward for expanding Guangdong-Hong Kong-Macao Greater Bay Area. The TDMall has unified the layout and strengthened the development of TCM healthcare products to meet the health needs of different customers at multiple levels. On the basis of the physical clinics, the Group provides comprehensive remote Chinese medicine services to patients through the "TDMall on Cloud", a cloud technology-based Chinese medicine platform.

The Group continued to improve the quality of its operating services, thereby accelerating the formation of an established medical system, quality assurance system, product development system, marketing system, operating system and supply chain system. The Group will further improve the Womb Caring Center, the Pain Management Center and the Health Management Center, and also plans to establish a Cancer Treatment Center to promote sustainable business growth with the aim of building a group management model for TCM chain clinics.

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. During the Current Financial Period, the Group increased its investment in R&D, with R&D expenses increasing year-on-year to HK$27.1 million (Previous Financial Year: HK$15.9 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 growth drivers for sustainable development.

The Group currently have major 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 several healthcare products. During the Current Financial 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 as well as cardiovascular and cerebrovascular 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) this year, 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 sizeable 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 primarily 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. The Group's products were distributed to 31 provinces, autonomous regions and municipalities, as well as in the regions of Hong Kong and Macao.

During the Current Financial Period, the Group promoted the development of county markets in all aspects to gain market coverage. Meanwhile, the Group effectively strengthened the establishment of online and offline healthcare product marketing teams, and expanded healthcare product sales channels including e-commerce and new media channels, in order to further increase 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. In order to meet the strong market demand, the Group commenced the construction of production line for liquid-finished dosages in December 2022 to expand the production capacity.

During the Current Financial 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 December 2022, the Group had signed ten projects for R&D technology services, mainly for liquid-finished dosages, and had implemented the production of five projects during the Current Financial Period.

OUTLOOK

The Group will strive to build core product brands such as "Tuoen" and "Tuoping", increase its market share by expanding its sales network coverage and acquire high-quality varieties with market potential in combination with the "3D" initiatives. Meanwhile, 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 integration of TCM decoction pieces and formula granules businesses. It will also continue to 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 through self-construction, franchising and mergers and acquisitions, 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 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 Current Financial Period, the Group recorded revenue of HK$410.0 million (Previous Financial Year: HK$510.0 million). The revenue of each business segment is shown in the Business Review section. Gross profit was HK$188.6 million (Previous Financial Year: HK$241.2 million) and gross profit margin decreased from 47.3% in the Previous Financial Year to 46.0% in the Current Financial Period, mainly due to the Group's increase in provision for inventories and the acceleration of amortization of intangible assets offset the impacts of improved sales efficiency, better revenue quality and lower proportion of the sales of lower margin products. At the same time, the Group strictly controlled costs and reduced its selling and distribution expense ratio by approximately 2 percentage points, with selling and distribution expenses amounting to HK$150.6 million for the Current Financial Period (Previous Financial Year: HK$198.0 million).

Administrative expenses amounted to HK$63.5 million (Previous Financial Year: HK$71.5 million), representing an increase on an annualized basis, mainly due to the significant increase in depreciation and amortization expenses of fixed assets of the Group's new R&D and production base in Jinwan District, Zhuhai, which commenced operation in the first half of 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 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 from HK$0.7 million in the Previous Financial Year to HK$5.0 million in the Current Financial Period. R&D expenses increased from HK$15.9 million in the Previous Financial Year to HK$27.1 million in the Current Financial 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 decreased from HK$16.8 million in the Previous Financial Year to HK$9.8 million in the Current Financial Period, mainly due to a one-off gain of HK$12.1 million on the disposal of a subsidiary in the Previous Financial Year, partially offset by a one-off goodwill impairment loss of HK$1.6 million. There was no such gain on disposal and no impairment of goodwill during the Current Financial Period.

Income tax credit decreased, mainly due to a deferred tax reversal of approximately HK$6.4 million arising from the disposal of subsidiaries in the Previous Financial Year.

The Group's loss attributable to owners of the parent for the Current Financial Period was HK$41.0 million (Previous Financial Year: HK$19.8 million). Excluding R&D expenses and certain one-off gains and losses, the adjusted loss attributable to owners of the parent narrowed from HK$23.0 million in the Previous Financial Year to HK$4.3 million in the Current Financial Period. The related R&D expenses and one-off gains and losses are as follows:

(1) The R&D expenses increased by approximately HK$11.2 million, from HK$15.9 million (Of which HK$12.9 million was attributable to the owners of the parent) in the Previous Financial Year to HK$27.1 million (Of which HK$24.0 million was attributable to the owners of the parent) in the Current Financial Period;

(2) With the completion of new plants and application of new processes, and continuous investment in R&D to enhance product quality and market competitiveness, the Group re-examined and reduced the amortization life of intangible assets, resulting in additional amortization of approximately HK$9.2 million charged to cost of sales and an income tax credit of HK$2.3 million;

(3) Provision of approximately HK$5.8 million (Previous Financial Year: HK$0.8 million) for slow-moving inventories of non-core products was made during the Current Financial Period;

(4) A one-off gain and related income tax credit of an aggregate of approximately HK$18.5 million was recorded on the disposal of a subsidiary, Zhuhai Tianda Realty Limited, in the Previous Financial Year; and

(5) A goodwill impairment of HK$1.6 million was recorded in the Previous Financial Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 31 December 2022, the Group had cash and cash equivalent of HK$340.3 million (31 March 2022: HK$334.0 million), of which approximately 86.5% 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$42.2 million. As at 31 December 2022, the bank borrowings maturing in one year and maturing within two to five years amounted to HK$64.7 million and HK$62.0 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.

FOREIGN EXCHANGE 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 31 December 2022.

CHARGES ON ASSETS

As at 31 December 2022, the Group pledged certain right-of-use assets and property, plant and equipment with carrying value HK$253.8 million (31 March 2022: HK$274.8 million) in aggregate to secure a bank loan facility granted to the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group employed approximately 722 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.

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

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

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining statutory and regulatory standards and adhering to the principles of corporate governance, emphasizing transparency and accountability to the shareholders.

The Company has complied with the code provisions of the Corporate Governance Code (the CG Code) in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the Listing Rules) during the Current Financial 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 C.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 has reviewed 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 for the nine months ended 31 December 2022.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the nine months ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the period. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and a non-executive Director of the Company. The audit committee has reviewed together with the management and auditors of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the financial results of the Group for the nine months ended 31 December 2022.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has recommended the payment of a final dividend of HK0.26 cent per share for the nine months ended 31 December 2022 (for the year ended 31 March 2022: final dividend of HK0.26 cent per share and special dividend of HK0.56 cent per share) for the shareholders' approval at the forthcoming 2023 annual general meeting (AGM). The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2023 AGM and to receive the proposed final dividend and the payment date of the said final dividend will be announced later.

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, 23 March 2023

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.