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 YEAR ENDED 31 DECEMBER 2023

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 year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	Year ended 31 December 2023 HK$'000	Nine months ended 31 December 2022 HK$'000
REVENUE	3	**532,089**	410,021
Cost of sales		**(276,557)**	(221,380)
Gross profit		**255,532**	188,641
Other income, gains and losses, net		**8,275**	9,761
Selling and distribution expenses		**(186,458)**	(150,609)
Administrative expenses		**(84,992)**	(63,528)
Research and development expenses		**(13,105)**	(27,112)
Finance costs		**(4,946)**	(5,043)
LOSS BEFORE TAX		**(25,694)**	(47,890)
Income tax credit	4	**689**	3,647
LOSS FOR THE YEAR/PERIOD		**(25,005)**	(44,243)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss 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		**(525)**	(1,026)
Exchange differences on translation of the Company's financial statements		**(1,477)**	(23,363)
		(2,002)	(24,389)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of subsidiaries' financial statements		**(4,476)**	(48,661)
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(6,478)**	(73,050)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(31,483)**	(117,293)

	Note	**Year ended 31 December 2023** *HK$'000*	Nine months ended 31 December 2022 *HK$'000*
Loss for the year/period attributable to:			
Owners of the parent		**(24,155)**	(40,977)
Non-controlling interests		**(850)**	(3,266)
		(25,005)	(44,243)
Total comprehensive loss attributable to:			
Owners of the parent		**(29,834)**	(111,293)
Non-controlling interests		**(1,649)**	(6,000)
		(31,483)	(117,293)
		HK Cent	*HK Cent*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	6	**(1.12)**	(1.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023 HK$'000**	31 December 2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**371,346**	352,442
Right-of-use assets		**41,392**	48,066
Goodwill		**95,230**	95,948
Other intangible assets		**20,677**	6,126
Deposits		**35,222**	26,972
Financial assets at fair value through profit or loss		**9,000**	–
Equity investments designated at fair value through other comprehensive income		**216**	741
Total non-current assets		**573,083**	530,295
CURRENT ASSETS			
Inventories		**65,148**	48,193
Trade and bills receivables	7	**104,801**	138,752
Prepayments, deposits and other receivables		**11,505**	26,385
Due from a fellow subsidiary		**312**	1,399
Structured deposits		**–**	3,167
Cash and cash equivalents		**162,442**	340,277
Total current assets		**344,208**	558,173
CURRENT LIABILITIES			
Trade payables	8	**106,018**	71,340
Other payables and accruals		**88,923**	207,330
Interest-bearing bank borrowings	9	**96,492**	64,674
Lease liabilities		**5,678**	5,630
Due to fellow subsidiaries		**12,458**	9,734
Tax payable		**3,743**	3,717
Total current liabilities		**313,312**	362,425
NET CURRENT ASSETS		**30,896**	195,748
TOTAL ASSETS LESS CURRENT LIABILITIES		**603,979**	726,043

	Note	**31 December 2023** *HK$'000*	31 December 2022 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	9	**8,358**	61,972
Lease liabilities		**3,069**	8,774
Deferred income		**–**	93
Deferred tax liabilities		**611**	962
Total non-current liabilities		**12,038**	71,801
Net assets		**591,941**	654,242
EQUITY			
Equity attributable to owners of the parent			
Share capital		**215,004**	215,004
Reserves		**377,067**	412,827
		592,071	627,831
Non-controlling interests		**(130)**	26,411
Total equity		**591,941**	654,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, 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 PRC. Accordingly, the comparative figures presented for the audited 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 2022 to 31 December 2022 and therefore are not comparable with those shown for the current year.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date.

The adoption of amendments to HKAS 12 did not have any material impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December 2023	Nine months ended 31 December 2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of pharmaceuticals, biotechnology and healthcare products	**465,669**	343,397
Sale of Chinese medicine products	**55,931**	61,146
Provision of Chinese medical services	**5,473**	4,158
Provision of contract development and manufacturing organization ("CDMO") services	**5,016**	1,320
	532,089	410,021

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 December 2023

Segments	Chinese medicine business *HK$'000*	Pharmaceuticals and medical technologies business *HK$'000*	Medical and healthcare services *HK$'000*	Total *HK$'000*
Types of goods or services				
Sale of products	48,367	465,669	7,564	521,600
Chinese medical services	–	–	5,473	5,473
CDMO services	–	5,016	–	5,016
Total revenue from contracts with customers	48,367	470,685	13,037	532,089
Geographical markets				
Chinese Mainland	48,367	470,009	5,750	524,126
Hong Kong	–	53	6,420	6,473
Australia	–	623	867	1,490
Total revenue from contracts with customers	48,367	470,685	13,037	532,089
Timing of revenue recognition				
Goods transferred at a point in time	48,367	465,669	7,564	521,600
Services rendered over time	–	5,016	5,473	10,489
Total revenue from contracts with customers	48,367	470,685	13,037	532,089

For the nine months ended 31 December 2022

Segments	Chinese medicine business *HK$'000*	Pharmaceuticals and medical technologies business *HK$'000*	Medical and healthcare services *HK$'000*	Total *HK$'000*
Types of goods or services				
Sale of products	54,078	343,397	7,068	404,543
Chinese medical services	–	–	4,158	4,158
CDMO services	–	1,320	–	1,320
Total revenue from contracts with customers	54,078	344,717	11,226	410,021
Geographical markets				
Chinese Mainland	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	343,397	7,068	404,543
Services rendered over time	–	1,320	4,158	5,478
Total revenue from contracts with customers	54,078	344,717	11,226	410,021

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:

	Year ended 31 December 2023 ***HK$'000***	Nine months ended 31 December 2022 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products and medical services	**78,241**	13,898

(ii) *Performance obligations*

Information about the Group's performance obligations is summarized 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.

Provision of CDMO services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

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 year (Nine months ended 31 December 2022: Nil). Tax on profits assessable in Chinese Mainland has been calculated at the applicable Chinese Mainland corporate income tax ("CIT") rate of 25% (Nine months ended 31 December 2022: 25%), except for Tianda Pharmaceuticals (Zhuhai) Ltd. ("Tianda Pharmaceuticals (Zhuhai)") and Tianda Pharmaceuticals (Yunnan) Ltd ("Tianda Pharmaceuticals (Yunnan)"), 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 2025. Tianda Pharmaceuticals (Yunnan) is established in the Kunming Economic and Technological Development Zone. Pursuant to relevant laws and regulations in the PRC, Tianda Pharmaceuticals (Yunnan) is engaged in the Western China Development Strategy and is entitled to a preferential tax rate of 15% during the year (Nine months ended 31 December 2022: 15%).

	Year ended 31 December 2023 *HK$'000*	Nine months ended 31 December 2022 *HK$'000*
Current – Chinese Mainland		
Charge for the year/period	**394**	541
Overprovision in prior years	**(738)**	(838)
Deferred tax	**(345)**	(3,350)
Total tax credit for the year/period	**(689)**	(3,647)

5. DIVIDENDS

	Year ended 31 December 2023 *HK$'000*	Nine months ended 31 December 2022 *HK$'000*
Final – HK0.26 cent (Nine months ended 31 December 2022: HK0.26 cent) per share	**5,590**	5,590

A final dividend of HK0.26 cent per share amounting to HK$5,590,000 in respect of the year ended 31 December 2023 have been proposed by the directors and are 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 year/period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,150,041,884 in issue during the year/period.

	Year ended 31 December 2023 *HK$'000*	Nine months ended 31 December 2022 *HK$'000*
Loss attributable to owners of the parent, used in basic loss per share calculation	**(24,155)**	(40,977)

	Number of shares	
	Year ended 31 December 2023	Nine months ended 31 December 2022
Weighted average number of ordinary shares in issue during the year/period 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 year ended 31 December 2023 and nine months ended 31 December 2022.

7. TRADE AND BILLS RECEIVABLES

	31 December 2023 HK$'000	31 December 2022 HK$'000
Trade receivables	**72,586**	96,620
Impairment	**(1,748)**	(963)
	70,838	95,657
Bills receivable	**33,963**	43,095
	104,801	138,752

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 2023 HK$'000	31 December 2022 HK$'000
Within 2 months	**77,582**	105,161
2 to 3 months	**6,071**	3,275
Over 3 months	**21,148**	30,316
	104,801	138,752

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
At beginning of year/period	**963**	560
Impairment losses, net	**785**	468
Exchange realignment	**–**	(65)
At end of year/period	**1,748**	963

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 2023 *HK$'000*	31 December 2022 *HK$'000*
Within 2 months	**80,762**	63,757
2 to 3 months	**1,368**	988
Over 3 months	**23,888**	6,595
	106,018	71,340

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

9. INTEREST-BEARING BANK BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate *(%)*	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current:						
Bank loans – secured	**China Loan Prime Rate ("LPR") + 1%**	**2024**	**53,170**	LPR + 1%	2023	64,674
Bank loans – unsecured	**LPR + 0.45%**	**2024**	**43,322**	Nil	Nil	–
			96,492			64,674
Non-current:						
Bank loans – secured	**LPR + 1%**	**2025**	**8,358**	LPR + 1%	2024 – 2025	61,972
			104,850			126,646

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**96,492**	64,674
In the second year	**8,358**	53,554
In the third to fifth years, inclusive	**–**	8,418
	104,850	126,646

REPORT OF THE CHAIRMAN

In 2023, as the World Health Organization declared an end to the public health emergency of the COVID-19 pandemic and China relaxed its pandemic control measures, the economy experienced steady growth. The Group further implemented the "Three Developments" strategy (development of Chinese medicine business as foundation, development of innovative drugs and medical technologies, as well as development of quality medical and healthcare services). Seizing this opportunity, the results of the Group's three major business segments continued to improve while consolidating core products, enriching product pipelines, expanding sales channels and further developing the traditional Chinese medicine ("TCM") industrial chain. The Group's continued investment in research and development ("R&D") is expected to yield fruitful results with new product launches, aiming to create new profit growth drivers and establish a stronger competitive position for future development.

The Group's Pharmaceuticals and medical technologies business focused on cardiovascular and cerebrovascular, pediatric, and respiratory system diseases by actively introducing, developing and acquiring innovative drugs, generic drugs and healthcare products. The Zhuhai Jinwan R&D and production base operated at full capacity at the beginning of the year to produce urgently needed drugs such as Tuoen®Ibuprofen, ensuring the national drug supply and making every effort to meet the urgent medication needs of people across the nation. The Group adopted an unconventional approach and efficiently expanded the production capacity and completed the construction of a new liquid-finished dosages production line within just three months. During the year, the Group's Tuoen®Ibuprofen received the prestigious "Most Valuable Product in China's Pharmacy Chains" award from MENET and drew significant attention during the conference. Currently, seven products under R&D have entered the registration stage, and it is expected that five of them will be launched in 2024, providing new momentum for the Group's continued growth in the future.

For the Chinese medicine business segment, leveraging on the established TCM industrial chain build-up, the Group focused on domestic and overseas trading of Chinese medicinal materials, production and sales, and distribution of TCM decoction pieces, integrating special resources from upstream to downstream for the industry with a focus on variety management. In July 2023, the Group signed a strategic cooperation framework agreement with the Qiaocheng District Government of Bozhou city, Anhui Province, known as the "City of Chinese Medicine" to actively participate in the construction of a strategic reserve of Chinese medicinal materials and jointly promote projects related to plant extraction and preparation of Chinese medicinal materials. The Group focused on the development of its advantageous product pipeline, actively constructed and developed a series of TCM health products and gradually formed a strategy for the R&D of TCM with a view of "stronger R&D, larger markets and enhanced efficacy", fully leveraging the advantages and diverse values of TCM to realize the leapfrog development of the Chinese medicine business.

For the Medical and healthcare services segment, the Group steadily advanced the development of the new type of Chinese medicine clinic "TDMall", serving as an effective complement to public medical services. To further enhance its presence in core cities in the Greater Bay Area and create distinctive businesses, the fifth TDMall opened in Shenzhen in March 2023 and launched "TDMall Lifestyle" (天大館·優生活), aiming to provide convenient and high-quality TCM healthcare services and comprehensive wellness experiences. By expanding its operations from domestic to overseas markets, the Group leveraged its accumulated valuable experience and expertise to explore domestic and global opportunities timely. In November 2023, the Group initiated the "Greater Bay Area TCM Practitioner Training Program" to recruit nationwide graduate students specializing in TCM as interns. After systematic training, they were stationed in the Group's TDMalls in Shenzhen and Zhuhai for internship. This initiative not only provided employment opportunities for graduates from Hong Kong but also nurtured talents in the field of TCM, fostering them to become the driving force in promoting the culture of TCM in the future.

While continuing to strengthen its domestic business, the Group also promoted globalization and expanded into international markets with a focus on market opportunities in ASEAN, Africa and BRICS countries, aiming to create an international marketing platform for Chinese pharmaceuticals and health products. In terms of investment and merger and acquisition, the Group conducted extensive screening, research, and evaluation of investment targets in the fields of pharmaceuticals and healthcare, seeking valuable investment opportunities with growth potential and will invest in high-quality domestic and international projects and businesses when appropriate.

Relying on the "Three Developments" strategy, the Group has solidified its competitive advantage in the industry chain. After years of development and experience, the Group's business segments are progressing in tandem and poised for a period of rapid development and continuous growth.

Finally, I would like to express sincere gratitude to the shareholders, customers, employees, and business partners for their years of support, contributions, and trust and would like to extend my appreciation to the members of the Board for their efforts and dedication to the development of the Group.

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 November 2022. In view of this change, the consolidated financial statements cover the twelve-month period from 1 January 2023 to 31 December 2023 (the "Year") and the comparative figures cover the nine-month period from 1 April 2022 to 31 December 2022 (the "Previous Financial Period"). The audited comparative figures may not be fully comparable due to differences in the length of the reporting periods.

BUSINESS REVIEW

In 2023, against the backdrop of the subsided global COVID-19 pandemic and the steady economic recovery in China, through a series of measures such as consolidating core products, enriching product pipeline, expanding sales channels and further developing the TCM industrial chain, the Group continued to improve its three major business segments: pharmaceuticals and medical technologies, Chinese medicine and medical and healthcare services. The Group's fundamentals were further improved during the Year with a steady increase in revenue, continuous improvement in operating efficiency and significant narrowing of loss. Overall revenue for the Year amounted to HK$532.1 million (Previous Financial Period: HK$410.0 million). Loss attributable to owners of the parent decreased significantly from HK$41.0 million in the Previous Financial Period to HK$24.2 million in the Year.

Pharmaceuticals and medical technologies business unleashing its advantages with leading products in the field

Benefiting from the supportive policies and the Group's business advantages, the Pharmaceuticals and medical technologies business achieved satisfactory growth in the Year, recording a revenue of HK$470.7 million (Previous Financial Period: HK$344.7 million). The Group is deeply engaged in the fields of cardiovascular, cerebrovascular and pediatric diseases with two leading products with revenues exceeding $100 million: Tuoping®Valsartan capsules for cardio-cerebrovascular disease and pediatric drugs Tuoen®Ibuprofen series. Benefitting from the optimized epidemic prevention and control measures implemented by the Chinese government earlier this year and the inclusion in the reference list of commonly used drugs for home treatment of COVID-19 patients (新冠病毒感染者居家治療常用藥參考表), the pediatric drug, Tuoen®Ibuprofen recorded a sales revenue during the Year of HK$170.4 million (Previous Financial Period: HK$118.8 million), claiming the second position in market share in Mainland China. The cardio-cerebrovascular drug, Tuoping®Valsartan capsules, has maintained its position as the best-selling product of the similar variety in the mainland China market in the Year, benefitting from the first place in the tender results of the third round of national centralized medicines procurement and recorded a sales revenue during the Year of HK$186.8 million (Previous Financial Period: HK$148.3 million).

To meet the market demand for Tuoen®Ibuprofen and anticipated future growth, the Group completed the construction of a new liquid-finished dosages production line and put it into operation at its Zhuhai Jinwan R&D and production base in the first half of 2023. In terms of production capacity utilization, the Group scheduled production reasonably based on market demand during peak and off-peak seasons, ensuring the supply and sales of various products while saving labor and energy costs. Additionally, by scaling up production volume, the Group further improved production efficiency.

The Group's CDMO/CMO business also recorded rapid growth, with the revenue approximately 3 times higher than in the Previous Financial Period. By the end of 2023, the number of the Group's CDMO projects for pharmaceuticals and health products on hand exceeded 30 (as at the end of 2022: 10).

Further development of the Chinese medicine segment with cooperation among industries, universities, research institutes and medical practitioners

For the Chinese medicine business, relying on its whole industrial chain build-up of traditional Chinese medicine, the Group has focused on the development of domestic and foreign trading of Chinese medicinal materials, Chinese medicinal decoction pieces, formula granules and innovative Chinese medicines R&D, continuing to integrate special resources in the industry's upstream and downstream segments with a focus on variety management. During the Year, the Chinese medicine business expanded cautiously. As a result of the adoption of a more stringent and prudent credit policy in the trading business, revenue of the segment decreased during the Year and amounted to HK$48.4 million (Previous Financial Period: HK$54.1 million).

In response to the rising prices of Chinese medicinal materials, the Group actively strategized reserves business of Chinese medicinal materials. In July 2023, the Group signed a strategic cooperation framework agreement with the Qiaocheng District Government of Bozhou city, Anhui Province, known as the "City of Chinese Medicine" to actively participate in the construction of a strategic reserve of Chinese medicinal materials and jointly promote projects related to the plant extraction and preparation of Chinese medicinal materials.

During the Year, the Group comprehensively promoted in-depth exchanges and collaborations among industries, universities, research institutes and medical practitioners, and systematically advanced the development of innovative Chinese medicine, the secondary development of existing proprietary Chinese medicines and the introduction of phased results and new products, enriching the product R&D pipeline, to enhance the core competitiveness of the Group. The Group is gradually forming a strategy for the R&D of TCM with a view of "stronger R&D, larger markets and enhanced efficacy", fully leveraging the advantages and diverse values of TCM. Through technological advancement, resource growth, and outcomes accumulation, the Group aims to realize the leapfrog development of the Chinese medicine business.

TDMall growing with innovative business model to promote TCM culture

The Group created the new type Chinese medicine clinic brand "TDMall", with the core positioning of "specialist treatments and specialized services, effectiveness and efficacy, combination of recovery and health-preservation, and harmony between nature and mankind". Since the opening of its first flagship in 2019, TDMall continuously improved its medical system, operation system, marketing and sales system, and product system, establishing a development model of "medical services + operations + marketing and sales + products". During the Year, the overall revenue of TDMall increased to HK$13.0 million (Previous Financial Period: HK$11.2 million).

The Group's fifth TDMall in the world – Shenzhen TDMall opened in March 2023 and launched the health lifestyle brand "TDMall Lifestyle" (天大館·優生活), aiming to provide convenient and high-quality TCM healthcare services and comprehensive wellness experiences. On the foundation of continued expansion of its experienced team of reowned medical experts, TDMall also initiated the "Greater Bay Area TCM Practitioner Training Program" to train young physicians, providing a talent pool for the rapid expansion of TDMall in the Greater Bay Area.

To create a model that integrates online and offline development, TDMall established the cloud-based Chinese medicine platform "TDMall on Cloud", as well as utilizing online operational support systems including WeChat official accounts, WeChat mini programs, Alipay mini programs, and Tik Tok official accounts. "TDMall on Cloud" combined innovative technologies such as big data and artificial intelligence to empower its physical clinics to provide patients with all-round and remote Chinese medicine services.

Adhering to the principles of promoting the inheritance of TCM culture and giving back to the community, TDMall organized dozens of "Little Chinese physician" parent-child activities in the Greater Bay Area. TDMall also reached out to communities and conducted over 40 charity clinic sessions during the Year. Furthermore, TDMall continued to organize TCM-themed lectures for various institutions, chambers of commerce, schools, and other organizations to promote knowledge of Chinese medicine.

Expanding sales channels to strengthen its penetration in lower-tier markets

The Group has established a nationwide marketing network, covering 31 provinces, autonomous regions and direct-administered municipalities, with three sales channels: 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 continued to build a more competitive marketing team to accelerate the development process of the third terminal and the penetration into lower-tier markets and county-level markets, thereby expanding its market coverage.

The Group also established an international business department to focus on market opportunities in ASEAN, Africa and BRICS countries, aiming to create an international marketing platform for Chinese pharmaceuticals and health products.

R&D entering harvest period with intensive new product launches

Through the combination of independent R&D, cooperation with external R&D institutions, and the introduction of new projects, the Group has formed a rich R&D pipeline. At present, R&D projects include one TCM innovative drug of Class 1, three TCM new drugs of Class 3 originated from ancient TCM prescriptions, ten chemical generic drugs, and several health products. After years of R&D investment with accumulated know-how, several R&D projects have entered the registration stage during the Year. As at the date of this announcement, there are a total of 7 new varieties that have entered the registration stage, with 5 of them expected to be introduced to the market in 2024, bringing new growth momentum to the Group.

In the next two years, the Group will have an impressive lineup of new varieties set to be launched. Among the five new products expected to be released in 2024, the pediatric drugs include Ibuprofen suspension, Ibuprofen drops (with the new Ibuprofen series serving as a supplement to the existing Tuoen brand, preparing for further expansion into the hospital market and future centralized procurement of Ibuprofen) and Ambroxol Hydrochloride and Clenbuterol Hydrochloride oral solution; the cardiocerebrovascular drug includes Nicorandil for injection. The other new variety is Metformin Hydrochloride Empagliflozin tablets for diabetes treatment. Furthermore, two new varieties have also entered the registration stage: Montelukast sodium granules for pediatric asthma and Bisoprolol Amlodipine tablets for hypertension in the cardiovascular category, expected to be launched in 2025.

During the Year, the Group has made orderly progress in the Phase II clinical trials of the class I TCM innovative drug, which is a cardiovascular drug used for the treatment of chronic heart failure. In terms of the R&D on TCM, the Group will continue to advance the R&D of innovative Chinese medicines, classic ancient prescriptions and improved new drugs with several new drug varieties in reserve. The Group will also focus on the R&D of multi-category functional health products and carry out secondary development for existing proprietary Chinese medicines and major variety incubation projects.

The Group is market oriented and adheres to the dual focus of generic and innovative drug development, and coordinates the promotion of innovative drugs, generic drugs and secondary development. The Group focuses on advantageous areas such as cardiovascular and pediatric fields while actively expanding into other sectors, continuing to enrich its R&D pipeline.

OUTLOOK

The Group is committed to building core chemical drug brands including “Tuoen” and “Tuoping”, accelerating the capture of market share of health product series such as “Tuokang”, actively increasing market penetration in the lower-tier markets to expand market coverage; and also capitalizing on the advantages brought by TCM policies for high-quality development of the Chinese medicine business. Empowered by R&D, the Group will continue to develop a series of products and constantly improve its product portfolio. Meanwhile, the Group will continuously improve the operations and services of TDMalls to establish a group-oriented operating model for TCM chain clinics. With the COVID-19 pandemic being brought under control, the Group will take advantage of the situation to boost domestic businesses while expanding its presence in international markets, establishing a solid foundation and strength for scaled development.

FINANCIAL REVIEW

During the Year, the Group recorded a revenue of HK$532.1 million (Previous Financial Period: HK$410.0 million). For the Pharmaceuticals and medical technologies business, revenue for the Year was HK$470.7 million (Previous Financial Period: HK$344.7 million), benefiting from the strong sales growth recorded by its pediatric drug, Tuoen®Ibuprofen, as well as the satisfactory sales performance of other major products. For the Chinese medicine business, revenue for the Year decreased to HK$48.4 million (Previous Financial Period: HK$54.1 million) due to the adoption of a more stringent credit policy. For the Medical and healthcare services, revenue for the Year amounted to HK$13.0 million (Previous Financial Period: HK$11.2 million). Gross profit was HK$255.5 million (Previous Financial Period: HK$188.6 million), and the gross profit margin increased from 46.0% in the Previous Financial Period to 48.0% in the Year, mainly due to the improvement in the quality of the Group’s revenue and the proportion of product sales with higher gross profit increased. At the same time, the Group strictly controlled costs, and the selling and distribution expense ratio decreased by about 1.7 percentage points. The selling and distribution expenses for the Year were HK$186.5 million (Previous Financial Period: HK$150.6 million).

Administrative expenses were HK$85.0 million (Previous Financial Period: HK$63.5 million), with average monthly expenses maintaining at a similar level as the Previous Financial Period. R&D expenses decreased from HK$27.1 million in the Previous Financial Period to HK$13.1 million in the Year. Some R&D projects have entered the registration stage and are expected to start sales in 2024. For the latest progress of major R&D projects, please refer to the business review section above.

Other income and net income decreased from HK$9.8 million in the Previous Financial Period to HK$8.3 million in the Year, mainly due to the decrease in government subsidies during the Year, including government epidemic subsidies.

In summary, the loss attributable to owners of the parent decreased significantly from HK$41.0 million in the Previous Financial Period to HK$24.2 million in the Year. The change in profitability was mainly attributable to the Group's business performance analyzed above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 31 December 2023, the Group had cash and cash equivalent of HK$162.4 million (31 December 2022: HK$340.3 million), of which approximately 84.0% 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$148.3 million. As at 31 December 2023, the bank borrowings maturing in one year and maturing within two to five years amounted to HK$96.5 million and HK$8.4 million respectively, which were denominated in RMB and bear interest at the rate from China LPR + 0.45% to 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 2023.

CHARGES ON ASSETS

As at 31 December 2023, the Group pledged certain right-of-use assets and property, plant and equipment with carrying value HK$254.0 million (31 December 2022: HK$253.8 million) in aggregate to secure a bank loan facility granted to the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the Group employed approximately 863 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 year, 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 C1 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the Listing Rules) during the Year 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 C3 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 year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor 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 auditor of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the financial results and interim report of the Group for the year ended 31 December 2023.

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 year ended 31 December 2023 (for the nine months ended 31 December 2022: final dividend of HK0.26 cent per share) for the shareholders' approval at the forthcoming 2024 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 2024 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, 26 March 2024

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. ZHONG Tao and Mr. FENG Quanming; and the independent non-executive directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Dr. XIAN Yanfang.