天大藥業有限公司
TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00455)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

HIGHLIGHTS

– Revenue for the Period Under Review amounted to approximately HK$66.5 million, which compares to HK$124.3 million for the Last Corresponding Period representing a decrease of 46.5%.

– The revenue, gross profit and profit of Tianda Pharmaceuticals (Zhuhai) increased by 21.6%, 31.4% and 10.9% respectively compared with those for the Last Corresponding Period. As the re-launch of products of Meng Sheng Pharmaceutical to market was postponed, the sales revenue dropped. As a result, both sales and profit declined as compared to those of the Last Corresponding Period.

– Loss attributable to owners of the Company for the Period Under Review amounted to approximately HK$8.9 million, while profit attributable to owners of the Company of HK$15.8 million was recorded for the Last Corresponding Period.

The board of directors (the "Board") of Tianda Pharmaceuticals Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013. The results have been reviewed by the Company's audit committee.

The Group's unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of financial position and explanatory notes as presented below are extracted from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2014, which has been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
	NOTES	***HK$***	*HK$*
		(Unaudited)	(Unaudited)
Revenue	*3*	**66,462,426**	124,329,645
Cost of sales		**(34,456,333)**	(43,755,701)
Gross profit		**32,006,093**	80,573,944
Other income		**7,215,682**	3,842,188
Other gains and losses		**849,140**	(849,282)
Distribution and selling expenses		**(21,492,157)**	(20,101,218)
Administrative expenses		**(30,832,549)**	(22,861,167)
Research and development costs		**(818,100)**	(798,041)
(Loss) profit before tax		**(13,071,891)**	39,806,424
Income tax credit (expense)	*4*	**1,792,963**	(8,040,798)
(Loss) profit for the period	*5*	**(11,278,928)**	31,765,626
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		**3,138,339**	9,616,396
Total comprehensive (expense) income for the period		**(8,140,589)**	41,382,022
(Loss) profit for the period attributable to:			
Owners of the Company		**(8,926,311)**	15,799,443
Non-controlling interests		**(2,352,617)**	15,966,183
		(11,278,928)	31,765,626
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(6,130,391)**	24,427,517
Non-controlling interests		**(2,010,198)**	16,954,505
		(8,140,589)	41,382,022
		HK cent	*HK cent*
Basic (loss) earnings per share	*7*	**(0.48)**	0.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	NOTES	30 September 2014 HK$ (Unaudited)	31 March 2014 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**169,654,849**	141,227,045
Prepaid lease payments		**86,542,854**	87,608,473
Goodwill	9	**112,143,789**	111,618,198
Intangible assets	10	**80,096,164**	86,161,275
Deposit for acquisition of property, plant and equipment		**374,592**	2,056,465
		448,812,248	428,671,456
CURRENT ASSETS			
Inventories		**33,085,622**	28,811,783
Trade and bills receivables and other receivables	11	**55,902,673**	44,588,701
Prepaid lease payments		**3,172,219**	3,153,484
Tax recoverable		**1,083,743**	–
Bank deposits	12	**233,718,494**	252,216,102
Bank balances and cash	12	**154,160,448**	175,048,174
		481,123,199	503,818,244
CURRENT LIABILITIES			
Trade and other payables	13	**77,206,440**	62,641,149
Government grants		**104,887**	208,534
Amount due to a related company	15	**1,517,351**	1,463,087
Tax payable		**5,471,504**	7,880,164
		84,300,182	72,192,934
NET CURRENT ASSETS		**396,823,017**	431,625,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**845,635,265**	860,296,766
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**43,202,794**	45,235,422
NET ASSETS		**802,432,471**	815,061,344
CAPITAL AND RESERVES			
Share capital	14	**187,011,816**	187,011,816
Reserves		**553,515,704**	564,134,379
Equity attributable to owners of the Company		**740,527,520**	751,146,195
Non-controlling interests		**61,904,951**	63,915,149
TOTAL EQUITY		**802,432,471**	815,061,344

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the managing director of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on the types of goods delivered. The Group focuses on pharmaceutical and biotechnology business and the CODM reviews the financial performance of this business as a whole for allocating resources and assessing performance. The Group has only one operating segment. In addition, the CODM is of the opinion that the presentation of assets and liabilities in accordance with the operating segments is not meaningful as the CODM monitored the Group's assets and liabilities as a whole which is more efficient and effective. Accordingly, no segment assets and liabilities are presented.

The following is an analysis of the Group's revenue and results:

	Six months ended 30 September	
	2014	2013
	HK$	*HK$*
	(Unaudited)	(Unaudited)
REVENUE – EXTERNAL	**66,462,426**	124,329,645
SEGMENT (LOSS) PROFIT	**(8,764,859)**	38,016,670
Other income	**3,728,713**	1,638,273
Other gains and losses	**855,421**	(824,658)
Unallocated expenses	**(7,098,203)**	(7,064,659)
(Loss) profit for the period	**(11,278,928)**	31,765,626

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit after taxation resulted/earned by the segment without allocation of central administration costs, directors' salaries and certain other income and other gains and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 September	
	2014	2013
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China (the "PRC") enterprise income tax	**(321,505)**	(7,912,779)
Deferred tax:		
Current period	**2,114,468**	(128,019)
	1,792,963	(8,040,798)

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in, or derived from, Hong Kong for both periods.

The tax rate of the PRC subsidiaries of the Group is 25%, except Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical") and Tianda Pharmaceutical (Zhuhai) Limited ("Tianda Pharmaceuticals (Zhuhai)"), subsidiaries of the Group.

Meng Sheng Pharmaceutical is established in the Kunming economic open zone. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng Pharmaceutical is engaged in Western China Development and was entitled to a preferential tax rate of 15% for both periods. Tianda Pharmaceuticals (Zhuhai) is qualified as advanced technology enterprises and has obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2015.

The corporate tax rate applicable to Tianda Pharmaceuticals (Australia) Pty Limited ("Tianda Pharmaceuticals (Australia)"), a subsidiary of the Company established and operating in Australia is 30% for both periods. No provision for the Australian income tax has been provided as the Group had no taxable profit arising in Australia for both periods.

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2014	2013
	HK$	*HK$*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**2,500,888**	3,262,013
Amortisation		
– intangible assets	**6,078,245**	6,041,778
– prepaid lease payments	**1,574,539**	1,565,694
Bank interest income	**(4,565,065)**	(2,279,544)
Net foreign exchange (gain) loss	**(856,117)**	824,721

6. DIVIDENDS

During the current interim period, a final dividend of HK0.24 cent per share in respect of the year ended 31 March 2014 (a final dividend of HK0.41 cent per share in respect of the year ended 31 March 2013) was approved at the annual general meeting of the Company. The aggregate amount of the final dividend paid/payable to the owners of the Company in the current interim period amounted to HK$4,488,284 (six months ended 30 September 2013: HK$7,667,484).

The directors of the Company resolved not to declare an interim dividend for both periods.

7. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2014	2013
	HK$	*HK$*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to the owners of the Company	**(8,926,311)**	15,799,443
Number of shares		
Number of ordinary shares in issue for the purpose of basic (loss) earnings per share	**1,870,118,160**	1,870,118,160

No diluted (loss) earnings per share is presented as the Company did not have any dilutive shares in issue during both periods.

8. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment in the current interim period amounted to HK$30,256,588 (six months ended 30 September 2013: HK$3,064,335).

9. GOODWILL

	Meng Sheng Pharmaceutical *HK$*	Tianda Pharmaceuticals (Zhuhai) *HK$*	Tianda Pharmaceuticals (Australia) *HK$*	Total *HK$*
COST				
At 1 April 2013 (audited)	6,674,893	102,387,702	2,886,305	111,948,900
Exchange realignment	–	(264)	(330,438)	(330,702)
At 31 March 2014 and 1 April 2014 (audited)	6,674,893	102,387,438	2,555,867	111,618,198
Exchange realignment	39,656	631,869	(145,934)	525,591
At 30 September 2014 (unaudited)	6,714,549	103,019,307	2,409,933	112,143,789

The goodwill and intangible assets amounting to HK$112,143,789 (31 March 2014: HK$111,618,198) and HK$80,096,164 (31 March 2014: HK$86,161,275), respectively at 30 September 2014 has been allocated to three (31 March 2014: three) cash generating units (the "CGU"), namely (1) Meng Sheng Pharmaceutical, (2) Tianda Pharmaceuticals (Zhuhai) and (3) Tianda Pharmaceuticals (Australia). All of which are engaged in the sales of pharmaceuticals and biotechnology products and healthcare products.

In December 2013, Meng Sheng Pharmaceutical fully stopped its production and started the expansion project of constructing a new plant and installing a new production line. New plant and production line are designed and constructed in accordance with high standard to ensure that the New GMP Version and the certification requirements of the pharmaceutical supervisory authorities of the targeted overseas markets are complied. At the end of the reporting period, Meng Sheng Pharmaceutical has already applied for the New GMP Version certificate with the relevant authorities and the verification is in process currently. Considering the time required for the approval process of certificate issuance, as re-assessed by the Company, it is expected that Meng Sheng Pharmaceutical will obtain the New GMP Version certificate and resume the production in early January 2015.

For the CGUs of Tianda Pharmaceuticals (Zhuhai) and Meng Sheng Pharmaceutical, the recoverable amount of the CGUs arising from Tianda Pharmaceuticals (Zhuhai) and Meng Sheng Pharmaceutical were determined based on value in use calculations. The value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 13.66% (31 March 2014: 13.66%) for Tianda Pharmaceuticals (Zhuhai) and 12.32% (31 March 2014: 12.32%) for Meng Sheng Pharmaceutical. Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for both CGUs. The key assumption is budgeted revenue and gross margins determined based on past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the CGUs to exceed the aggregate recoverable amounts of CGUs.

For the CGU of Tianda Pharmaceuticals (Australia), Tianda Pharmaceuticals (Australia) has operating loss for the six months period ended 30 September 2014 and management performed impairment assessment for Tianda Pharmaceuticals (Australia). The recoverable amount of the CGU arising from Tianda Pharmaceuticals (Australia) is determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budgets approved by management covering five-year period and a pre-tax discount rate of 15.67% (31 March 2014: 15.67%) for Tianda Pharmaceuticals (Australia). Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for the CGU. The key assumption is budgeted revenue and gross margins determined based on the past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate amounts of the CGU to exceed the aggregate recoverable amount of the CGU.

The management of the Group determines that there is no impairment of the three CGUs containing goodwill and intangible assets.

10. INTANGIBLE ASSETS

	Trademark *HK$*	Licenses and permits *HK$*	Total *HK$*
COST			
At 1 April 2013 (audited)	7,428,650	98,046,023	105,474,673
Exchange realignment	(850,715)	(256,840)	(1,107,555)
Additions	51,768	643,548	695,316
Write-off of intangible assets	(12,917)	–	(12,917)
At 31 March 2014 (audited)	6,616,786	98,432,731	105,049,517
Exchange realignment	(379,979)	420,445	40,466
Additions	36,891	14,553	51,444
At 30 September 2014 (unaudited)	6,273,698	98,867,729	105,141,427
ACCUMULATED AMORTISATION			
At 1 April 2013 (audited)	100	6,708,741	6,708,841
Exchange realignment	(11)	(40,690)	(40,701)
Write-off of intangible assets	(89)	–	(89)
Provided for the year	–	12,220,191	12,220,191
At 31 March 2014 (audited)	–	18,888,242	18,888,242
Exchange realignment	–	78,776	78,776
Provided for the period	–	6,078,245	6,078,245
At 30 September 2014 (unaudited)	–	25,045,263	25,045,263
CARRYING VALUE			
At 30 September 2014 (unaudited)	6,273,698	73,822,466	80,096,164
At 31 March 2014 (audited)	6,616,786	79,544,489	86,161,275

Intangible assets mainly represent (1) various licenses and permits held by Tianda Pharmaceuticals (Zhuhai) with carrying amount at 30 September 2014 of approximately HK$72,306,000 and (2) trademark and permits held by Tianda Pharmaceuticals (Australia) with carrying amount at 30 September 2014 of approximately HK$6,274,000 and HK$1,516,000, respectively.

Tianda Pharmaceuticals (Zhuhai) has obtained medicine production licenses and permits that used to manufacture and sell the medicine and drugs. The licenses and permits are granted by Guangdong Food and Medicine Supervision and Administration Bureau and subject to renewal every 5 years. In the opinion of the directors of the Company, the licenses and permits can be renewed by the Group without significant cost. Amortisation is provided to write off the cost of the licenses and permits using the straight-line method over the estimated useful life of the licenses and permits of 8 years.

For the period ended 30 September 2014, the management of the Group determined that there is no indicator for impairment for the licences and permits held by Tianda Pharmaceutical (Zhuhai).

Tianda Pharmaceuticals (Australia) has obtained permits that used to manufacture and sell the healthcare products. The permits are granted by Therapeutic Goods Administration, Australia and subject to renewal every year. In the opinion of the directors of the Company, the permits can be renewed by the Group without significant cost. Amortisation is provided to write off the cost of permits using the straight line method over the estimated useful life of permits of 5 years.

The trademark included several brand names held by Tianda Pharmaceuticals (Australia) which allow the Group to produce products under those brand names. The trademark has indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. Therefore, it is not amortised until its useful life is determined to be finite. It would be tested for impairment annually and whenever there is an indication that it may be impaired. Tianda Pharmaceuticals (Australia) has operating loss for the period ended 30 September 2014 and management performed impairment assessment on intangible assets (both with definite and indefinite useful life) and they have been allocated to the CGU representing Tianda Pharmaceuticals (Australia). Details are set out in note 9.

11. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES

The Group allows a credit period of 60 days to its trade customers. The aging analysis of trade and bills receivable is presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 September 2014	31 March 2014
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade receivables		
Within 60 days	**11,317,647**	9,599,855
Over 60 days	**3,403,521**	3,389,634
	14,721,168	12,989,489
Bills receivable		
Within 60 days	**9,975,445**	6,192,212
Over 60 days	**18,371,325**	17,681,736
	28,346,770	23,873,948
Total trade and bills receivable	**43,067,938**	36,863,437

12. BANK DEPOSITS, BANK BALANCES AND CASH

The bank deposits, which comprise short-term fixed deposits with original maturity of 1 to 3 months (31 March 2014: 7 days to 6 months), carry market interest rates ranging from 0.26% to 3.43% (31 March 2014: 0.26% to 3.20%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.35% (31 March 2014: 0.01% to 0.35%) per annum.

13. TRADE AND OTHER PAYABLES

The credit period on purchases of goods ranges from 30 days to 90 days. The aging analysis of the trade payables is presented based on the invoice date at the end of the reporting period:

	30 September 2014 HK$ (Unaudited)	31 March 2014 HK$ (Audited)
Trade payables		
Within 60 days	**9,602,697**	6,984,691
61 – 90 days	**1,605,940**	1,372,904
Over 90 days	**4,419,203**	5,888,794
	15,627,840	14,246,389

14. SHARE CAPITAL

	Number of shares	Amount HK$
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2014 (audited) and at 30 September 2014 (unaudited)	**4,000,000,000**	400,000,000
Issued and fully paid:		
At 1 April 2014 (audited) and at 30 September 2014 (unaudited)	**1,870,118,160**	187,011,816

15. RELATED PARTY DISCLOSURES

Amount due to a related company

	30 September 2014 HK$ (Unaudited)	31 March 2014 HK$ (Audited)
Trade balances	**1,517,351**	1,463,087

The Group's amount due to a related company, which is a fellow subsidiary of the Company, is trading in nature, arising from purchase of packaging materials for pharmaceuticals and biotechnology products. The whole amount as at 30 September 2014 and 31 March 2014 are aged within 90 days. The amount is unsecured, non-interest bearing and with credit term within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

As described in the announcement titled "Business Information Update and Profit Alert" of the Company dated 30 September 2014, Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical") originally expected to obtain the New GMP Version certificate, resume production and re-launch the first batch of its products to the market in the third quarter of 2014. However, the completion time was later than expected, and the resumption of production and the re-launch of the first batch of its products are expected to be postponed. Therefore, both sales and profits declined as compared with those for the six months ended 30 September 2013 (the "Last Corresponding Period").

For the six months ended 30 September 2014 (the "Period Under Review" or "First Half of the Fiscal Year"), the Group recorded a consolidated revenue of approximately HK$66.5 million, while the amount for the Last Corresponding Period was approximately HK$124.3 million.

Gross profit dropped from HK$80.6 million for the Last Corresponding Period to HK$32.0 million for the Period Under Review, representing a drop of 60.3%. Gross profit margin decreased from 64.8% for the Last Corresponding Period to 48.2% for the Period Under Review, which was mainly due to the lower proportion of sales of Meng Sheng Pharmaceutical's products, which have higher gross profit margins, to the overall sales of the Group.

Distribution and selling expenses increased from HK$20.1 million for the Last Corresponding Period to HK$21.5 million for the Period Under Review. The increase was mainly attributed to the increase in the selling expenses of Tianda Pharmaceuticals (Zhuhai) Limited ("Tianda Pharmaceuticals (Zhuhai)") as a result of enhanced sales efforts.

Administrative expenses increased by 34.9% from HK$22.9 million for the Last Corresponding Period to HK$30.8 million for the Period Under Review. The main reason for the rise was that Meng Sheng Pharmaceutical suspended its production during the Period Under Review, and that certain indirect manufacturing costs were recorded as administrative expenses. Hence, administrative expenses of Meng Sheng Pharmaceutical increased from HK$4.2 million for the Last Corresponding Period to HK$9.9 million for the Period Under Review.

Other income increased by 89.5% from HK$3.8 million for the Last Corresponding Period to HK$7.2 million for the Period Under Review. The Group has strengthened fund management during the First Half of the Fiscal Year to seek a better return from its idle fund. Interest and investment incomes increased from HK$2.8 million for the Last Corresponding Period to HK$5.6 million for the Period Under Review. Besides, Meng Sheng Pharmaceutical received government grants of approximately HK$1.4 million during the Period Under Review to subsidize its research and development.

Overall, due to the suspension of the original production line of Meng Sheng Pharmaceutical, the Group turned to a loss of HK$11.3 million for the Period Under Review, while a profit of HK$31.8 million was recorded for the Last Corresponding Period. The loss attributable to owners of the Company amounted to HK$8.9 million for the Period Under Review, representing a loss per share of HK0.48 cent, compared with the profit attributable to owners of the Company of HK$15.8 million and earnings per share of HK0.84 cent for the Last Corresponding Period.

Business Review

As compared with the Last Corresponding Period, revenue of the Group dropped by approximately 46.5% from HK$124.3 million for the Last Corresponding Period to HK$66.5 million for the Period Under Review. Even though the sales revenue of Tianda Pharmaceuticals (Zhuhai) increased by about 21.6% from HK$48.2 million for the Last Corresponding Period to HK$58.6 million for the First Half of the Fiscal Year, it could not offset the drop in sales revenue of Meng Sheng Pharmaceutical. For the Period Under Review, Meng Sheng Pharmaceutical only contributed approximately HK$6.6 million in revenue, representing a decrease of 91.2% from HK$74.8 for the Last Corresponding Period. The Group reported a loss attributable to shareholders of HK$8.9 million for the Period Under Review.

Tianda Pharmaceuticals (Zhuhai)

Established in Zhuhai City, it is the pharmaceutical research and development and production base of the Group. During the Period Under Review, Tianda Pharmaceuticals (Zhuhai) recorded a revenue of HK$58.6 million, representing an increase of 21.6% from HK$48.2 million for the Last Corresponding Period. The gross profit margin also improved from 55.4% for the Last Corresponding Period to 59.9% for the Period Under Review, and the gross profit increased by 31.4% as compared with the Last Corresponding Period. The improvement in the performance of Tianda Pharmaceuticals (Zhuhai) demonstrated that the sales management and the quality management are heading on the right track.

Tianda Pharmaceuticals (Zhuhai) has implemented the “sales cooperation mode of contracting costs under standardized management” formulated early this year, thereby improving its sales performance. Compared with the Last Corresponding Period, the sales volume of the major products of Tianda Pharmaceuticals (Zhuhai), namely Tuoping (Valsartan capsules) and Tuoen (Ibuorofen suspension and drops) increased by 10.5% and 20.8%, respectively, and Tianda Pharmaceuticals (Zhuhai) was also able to raise the average unit selling prices of these two products by 10.3% and 8.6%, respectively.

As a result of the boost in sales revenue, Tianda Pharmaceuticals (Zhuhai) recorded a profit of HK$7.5 million for the Period Under Review, representing a growth of approximately 10.9% from HK$6.7 million for the Last Corresponding Period.

On 15 April 2014, Tianda Pharmaceuticals (Zhuhai) entered into an agreement with 珠海市金灣區三灶鎮人民政府 (Zhuhai City Jinwan District Sanzao Town People’s Government*) (“ZCSTG”) for the proposed acquistion of the land use right of a piece of land through open tender. The Group intends to establish thereon a larger-scale research and development and pharmaceutical production base with an improved quality control system. This will assist in lowering the production and management costs and cater for the rapidly increasing sales capability of the Group in order to satisfy the sales and immense market demand in the future, thus accelerating the achievement of the mid- to long-term target of the Group of further exploring and developing the domestic and foreign markets.

In view of the additional time required for the internal approval process for the open tender to be carried out in respect of the land use right by ZCSTG, the time of the open tender needs to be extended further. Both parties to the agreement have clearly expressed their intentions to continue with the acquisition. At the date of this announcement, the transaction has not yet completed.

* *For identification purpose only*

Meng Sheng Pharmaceutical

It is the pharmaceutical research and development and production base established in Kunming City. As disclosed in the announcements made by the Company on 13 June 2014 and 30 September 2014, Meng Sheng Pharmaceutical suspended its production for the expansion project of constructing a new plant and installing a new production line (the "Expansion Project") during the Period Under Review. Although the Expansion Project has been substantially finished, Meng Sheng Pharmaceutical has not yet obtained the New GMP Version certificate for the resumption of production and sales of its flagship product, Cerebroprotein Hydrolysate Injection（注射用腦蛋白水解物）. During the Period Under Review, Meng Sheng Pharmaceutical could only sell those inventories stocked up before the suspension of production. As a result, the sales revenue contributed from Cerebroprotein Hydrolysate Injection decreased from HK$68.4 million for the Last Corresponding Period to HK$0.6 million for the Period Under Review.

Employees are valuable assets to the Group. During the suspension of production, Meng Sheng Pharmaceutical kept on employing the production staff to ensure that they will continue to contribute their skills to Meng Sheng Pharmaceutical dedicatedly in full team after the resumption of production. During the Period Under Review, the wages for these production workers were classified as administrative expenses instead of manufacturing cost. As a result, the administrative expenses of Meng Sheng Pharmaceutical increased significantly as compared with the Last Corresponding Period.

As a result of the decrease in revenue due to the suspension of production, Meng Sheng Pharmaceutical incurred a loss of HK$5.2 million to the Group for the Period Under Review, while a profit of HK$35.5 million was recorded for the Last Corresponding Period.

Sales and marketing centers

Tianda Pharmaceuticals (China) is the PRC sales and marketing center established by the Group in Shenzhen. For the Period Under Review, Tianda Pharmaceuticals (China) incurred a loss of HK$1.2 million, compared to a profit of HK$5.6 million for the Last Corresponding Period. To achieve synergies, Tianda Pharmaceuticals (China) uses its sales team to assist in the sales of Meng Sheng Pharmaceutical's products. As Meng Sheng Pharmaceutical has suspended its production, the income of Tianda Pharmaceuticals (China) has dropped and resulted in a loss.

Tianda Pharmaceuticals (Australia) is the South Pacific Region sales and marketing center established by the Group in Sydney, Australia. For the First Half of the Fiscal Year, Tianda Pharmaceuticals (Australia) continued to promote the healthcare product business and vigorously introduced its Herb Valley series to the Greater China Region. However, as the company is still in its preliminary stage of market development, it has not yet improved its contribution to the Group. In the Period Under Review, Tianda Pharmaceuticals (Australia) recorded a sales revenue of HK$1.2 million, which approximated to that for the Last Corresponding Period, and the loss increased from HK$2.3 million for the Last Corresponding Period to HK$4.0 million for the Period Under Review.

Tianda Pharmaceuticals (Hong Kong) is the international sales and marketing center established by the Group at the Hong Kong headquarters. During the Period Under Review, it has further sped up product registration, as well as improved distribution channels for, and expand the end-customer base of, its pharmaceutical products. It has also commenced the healthcare product business and built up an eCommerce platform in order to pursue business growth.

Outlook

Tianda Pharmaceuticals (Zhuhai)

During the Period Under Review, Tianda Pharmaceuticals (Zhuhai) successfully obtained GMP certification with the longest validation period of 3 years from the Therapeutic Goods Administration ("TGA") in Australia as well as the New GMP Version certification in China for a valid term of 5 years. It will persistently improve its quality assurance while enhancing its production efficiency and lowering its total cost. It will also step up the existing research and development projects, screening and study the new products. The preliminary preparation work for the construction of new production base will also be steadily carried out.

Meng Sheng Pharmaceutical

During the Period Under Review, due to the Expansion Project for carrying out the New GMP Version certification, the production of the company's flagship product, Cerebroprotein Hydrolysate injection（注射用腦蛋白水解物）, was suspended, thereby affecting the Group's results. The New GMP Version certification work now enters to re-examination stage and production is expected to resume in early 2015. Being a first-to-market generic drug in China, Cerebroprotein Hydrolysate Injection has maintained some brand advantages of pricing in certain provinces and municipals. The company is confident that its sales will gradually increase and surpass the level prior to the suspension of production. The production capacity of the new production line will be enlarged by about 50%. With a better quality and production control system, the company will enjoy a reduction in production cost and improvement in profitability. With a view to boosting its future growth arising from research and development and technical upgrades, the company is considering launching the research of a new category 6 lyophilized injection powder（凍乾粉針6類）, and rolling out GMP certification with improvement of the production standards for Cerebroprotein Hydrolysate small-dose injection（腦蛋白水解物小容量注射劑）.

Tianda Pharmaceuticals (China)

This company is mainly responsible for the sales of the Group's products, including the products of the two above-mentioned pharmaceutical production bases and the healthcare product series of Tianda Pharmaceuticals (Australia), to the market in China. It will pursue further reform on sales and marketing, and manage based on different product lines. It will also maintain flexibility and inject more resources to the target markets. Greater efforts for in-depth distribution development will be spent on regions with better sales performance, while other regions with weaker sales will be stimulated and urged to improve sales volume. The company is confident that the sales of pharmaceutical products will achieve a higher growth in 2015, and also lay a solid groundwork for the healthcare product market.

Tianda Pharmaceuticals (Australia)

This company is mainly responsible for the sales of the Group's products in Australia and other South Pacific Region countries. It also focuses on the distribution of the healthcare products series under Herb Valley, its main brand. The healthcare product market in Australia is highly competitive. The company will speed up to enrich the product range of Herb Valley, and will adjust its sales and marketing strategies in response to the market challenges. In addition to the personal care product line under its existing sub-brand, Wild Pink, the company will introduce new product series under the Wild Green sub-brand, namely vitamin/mineral/supplements, with unique formulas that cater to consumers' needs.

Tianda Pharmaceuticals (Hong Kong)

This company is mainly responsible for the sales and marketing of the Group's products in Hong Kong, Macau, Taiwan and other overseas markets. It will step up its efforts in pharmaceutical registration, distribution channel restructuring as well as strengthen end-customer base development and maintenance of pharmaceutical products. Meanwhile, the company is also commencing the healthcare product business. It will gather quality healthcare products under well-recognized brands all over the world so as to satisfy needs from different market segments. It will also launch an online purchase platform and study the possibility of setting up healthcare chain stores in order to establish an O2O marketing model.

Looking forward, the Group will seize market opportunities and be well-prepared for market challenges. While ensuring the sales of Cerebroprotein Hydrolysate Injection of Meng Sheng Pharmaceutical as top priority, we will also strive to improve our performance by being innovative in distribution, research and development, strengthening quality management and brand building, and identifying lucrative merger and acquisition. The Group will endeavour to make our performance back to growth, to create a better return for shareholders and promote the further growth of the enterprise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy position. As at 30 September 2014, the Group had cash and bank balances of approximately HK$387.9 million (31 March 2014: HK$427.3 million), of which approximately 2.2% and 97.7% were denominated in Hong Kong dollar and Renminbi ("RMB") respectively with the remaining in Australian dollar, Euro and United States dollar. The Group has no external borrowings during the Period Under Review. With this strong financial position, the Group has sufficient financial resources to meet its obligations and daily operational needs.

EXCHANGE RATE EXPOSURE

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

The Group has sales and investments in foreign operations which use currencies other than RMB, its functional currency. As such, the Group has some exposures to foreign currency risk. The management from time to time determines suitable measures, such as entering into forward currency contracts, to lessen exposure to exchange rate fluctuations in material transactions denominated in currencies other than RMB. The Group did not enter into any forward currency contracts to hedge its foreign currency risks as at 30 September 2014.

CHARGES ON ASSETS

The Group did not have any charges on assets as at 30 September 2014.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2014, the Group employed approximately 456 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 six months ended 30 September 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months period ended 30 September 2014 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 A.2.1 of the CG Code, the roles of 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 of Directors is of the view that Mr. Fang Wen Quan acting as both the Chairman of the Board and as the Managing Director of the Company is acceptable and in the best interest of the Group. The Board will review this situation periodically.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors of the Company, they all confirm that they have compiled with the Model Code throughout the six months ended 30 September 2014.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has reviewed, together with the management of the Company and the Company's independent auditor, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the unaudited interim results of the Company for the six months ended 30 September 2014.

By order of the Board
Tianda Pharmaceuticals Limited
Fang Wen Quan
Chairman

Hong Kong, 27 November 2014

As at the date of this announcement, the executive Directors are Mr. FANG Wen Quan (the Chairman and Managing Director), Mr. LIU Huijiang and Mr. LUI Man Sang and the independent non-executive Directors are Mr. CHIU Sung Hong, Mr. CHIU Fan Wa and Mr. LAM Yat Fai.