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

CONTINUING CONNECTED TRANSACTIONS: REVISION OF ANNUAL CAPS AND EXTENSION OF PURCHASING PACKAGE PRODUCTS AND DESIGNING SERVICES

On 28 February 2020, the Company and TCH (China) entered into the Supplemental Agreement to continue to purchase Package Products and Designing Services by the Group from TCH (China) Group for the financial year ending 31 March 2022.

Save for the contract period as extended under the Supplemental Agreement as abovementioned, all other terms of the Framework Agreement remain unchanged.

The transactions contemplated under the Supplemental Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps of the transactions contemplated under the Supplemental Agreement exceed 0.1% but all are less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcement of the Company dated 16 May 2018 in relation to the Framework Agreement was entered into among the Company and TCH (China), for the three financial years ending 31 March 2021 which includes regulating the Continuing Connected Transactions of purchasing Package Products and Designing Services from TCH (China) Group. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

Owing to the fast growing of the Group's business, it is anticipated that the demand of purchasing Package Products and Designing Services under the Framework Agreement will be raised and will exceed the Existing Annual Caps set for financial year ending 31 March 2020 and 2021. In addition, it is expected that the transactions contemplated under the Framework Agreement will continue to be entered on a recurring basis. Therefore, on 28 February 2020, the Company and TCH (China) entered into the Supplemental Agreement to continue to purchase Package Products and Designing Services by the Group from TCH (China) Group for the financial year ending 31 March 2022. The principal terms of the Supplemental Agreement are set out below.

The Supplemental Agreement

Date: 28 February 2020

Parties: (i) the Company, and;
(ii) TCH (China)

Contract Extension Period: The Group will continue to purchase Package Products and Designing Services from TCH (China) Group for the year ending 31 March 2022.

Nature of transactions: The Group agreed to purchase and TCH (China) Group agreed to supply the Package Products and Designing Services during the contract period. The Package Products and Designing Services include printed instruction leaflets, packaging boxes and related products and designing services.

The transactions for the purchases of Package Products and Designing Services shall be provided on normal commercial terms.

Price determination: The prices of the transactions will be determined by the parties in arm's length negotiations with reference to the prevailing market prices. If there are no comparable prices in the market, the transactions have been consistently conducting in the normal commercial terms, or on terms were no less favourable than those available to independent third parties.

Ensuring to achieve these commercial terms, the Group adopts Standard Operating Procedures for the purchases of Package Products and Designing Services mainly including the following procedures:

- (i) Perform qualification and selection of printing and designing service suppliers and update qualified printing and designing service suppliers list every year;
- (ii) Obtain at least two quotations from the qualified suppliers for comparison for each procurement transaction;
- (iii) Negotiate further with qualified suppliers to seek for better purchase price and terms based on the quotation received;
- (iv) Select the most competitive price and terms from the qualified quotations and enter into purchase contract;
- (v) TCH (China) Group, being one of printing and designing service suppliers in the market, is also required to go through the same processes as other independent suppliers.

Save for the contract period as extended under the Supplemental Agreement as abovementioned, all other terms of the Framework Agreement remain unchanged.

Existing Annual Caps

The Existing Annual Caps of the transactions contemplated under the Framework Agreement for the relevant periods are set out below:

Year ending	Existing Annual Caps
31 March 2019	HK\$8,000,000
31 March 2020	HK\$9,000,000
31 March 2021	HK\$9,000,000

Historical transaction amounts

Based on the Group's audited financial statements, the amount of the transactions for purchasing Package Products and Designing Services by the Group from the TCH (China) Group for the year ended 31 March 2019 amounted to HK\$5,444,975. According to the latest unaudited management accounts for the ten months ended 31 January 2020, the relevant amount is approximately RMB8,090,000 (equivalent to approximately HK\$8,980,000), which is approaching the Existing Annual Cap for the year ending 31 March 2020.

Revised and New Annual Caps

The Revised and New Annual Caps of the transactions contemplated under the Framework Agreement and the Supplemental Agreement for the relevant periods are set out below:

Year ending	Revised Annual Caps	New Annual Cap
31 March 2020	HK\$14,000,000	Not applicable
31 March 2021	HK\$18,000,000	Not applicable
31 March 2022	Not applicable	HK\$19,000,000

The Revised and New Annual Caps are determined by reference to (1) the historical values of such transactions; (2) the estimated demand for purchasing Package Products and Designing Services; (3) the pharmaceutical industry policy in the PRC; and (4) the provision of buffer for possible further business growth.

Reasons for entering into the Supplemental Agreement

The Directors (including the independent non-executive Directors) considered that it is still in the interest of the Group to purchase the Package Products and Designing Services from TCH (China) Group pursuant to the Agreement for the following reasons:

- (i) the purchases from TCH (China) Group will be at competitive prices not less favourable than those that the Group can obtain from suppliers which are independent third parties;
- (ii) TCH (China) Group is familiar with the Group's product specifications, standards and requirements and the Group has confidence in the quality of the Package Products and Designing Services supplied by TCH (China) Group; and
- (iii) the Directors considered that it is crucial for the Group to maintain the quality of the Package Products and Designing Services for the Group's existing and future production needs. In view of the Group's past purchasing experience with TCH (China) Group, the Directors are of the view that TCH (China) Group can effectively fulfill the Group's requirements of product quality.

Nonetheless, the Directors (including the independent non-executive Directors) considered the revisions of the annual caps and the new annual cap for the upcoming years would project a more accurate demand of the Package Products and Designing Services from TCH (China) Group by the Group.

OPINION OF THE BOARD

Given that the terms of the Supplemental Agreement has been negotiated on arm's length basis and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Supplemental Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

TCH (China) being a subsidiary of Tianda Group Limited and Mr. Fang Wen Quan, the Chairman of the Board and the Managing Director, has the entire equity interest in Tianda Group Limited and Mr. Lui Man Sang was appointed as an executive director by Tianda Group Limited. Therefore, they are considered to have a material interest in the transactions. Besides, Mr. Feng Quanming was appointed as a non-executive director by Hongta Group and Hongta Group has substantial equity interests in Cheng Cheng, a major subsidiary of TCH (China), so he is considered to have interests in the transactions. Each of Mr. Fang Wen Quan, Mr. Lui Man Sang and Mr. Feng Quanming has not taken part in the voting to approve the Company and TCH (China) Group entered into the Supplemental Agreement. Save as disclosed above, none of the Directors has a material interest in the Supplemental Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

As TCH (China) is a subsidiary of Tianda Group Limited, the controlling Shareholder of the Company, it is a Connected Person of the Company under the Listing Rules. Accordingly, the Supplemental Agreement and the transactions contemplated under the Supplemental Agreement constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the annual caps of the transactions contemplated under the Agreement exceed 0.1% but all are less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITION

In this announcement, unless the context otherwise requires, the following expression have the following meanings:

“Announcement”	the announcement of the Company dated 16 May 2018 in relation to, among others, the Framework Agreement and the transactions contemplated thereunder
“Board”	the board of Directors of the Company
“Cheng Cheng”	珠海經濟特區誠成印務有限公司 (Zhuhai S.E.Z. Cheng Cheng Printing Co., Ltd.), a Taiwan, Hong Kong and Macau and domestic joint venture enterprise established under the laws of the PRC with limited liability, and in which Tianda Group Limited and Hongta Group owns 60% and 40% of its equity respectively

“Company”	Tianda Pharmaceuticals Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange with stock code 00455
“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	The transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.
“Director(s)”	the director(s) of the Company
“Existing Annual Cap(s)”	the previous expected maximum amount of purchasing Package Products and Designing Services by the Group from TCH (China) Group for particular financial year(s) set out in the Announcement
“Framework Agreement”	the framework agreement dated 16 May 2018 entered into between the Company and TCH (China) for purchasing Package Products and Designing Services by the Group from TCH (China) Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongta Group”	紅塔煙草(集團)有限責任公司 (Hongta Tobacco (Group) Limited*), a state-owned enterprise established in Yunnan Province, a shareholder of the Company whose held approximately 9.66% interest in the issued share capital of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Annual Cap”	the expected maximum amount of purchasing Package Products and Designing Services by the Group from TCH (China) Group for the extended year ending 31 March 2022.
“Package Products and Designing Services”	printed instruction leaflets, packaging boxes and related products and designing services
“PRC”	the People’s Republic of China, for the purposes of this announcement and for geographical reference only, excludes Taiwan, the Macau Special Administrative Region and Hong Kong Special Administrative Region (unless otherwise indicated)
“Revised Annual Caps”	the revised expected maximum amount of purchasing Package Products and Designing Services by the Group from TCH (China) Group for particular financial year(s) set out in this announcement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement”	the Supplemental Agreement dated 28 February 2020 entered into between the Company and TCH (China) for the revision of contract period.
“TCH (China)”	天大文化控股(中國)有限公司 (Tianda Culture Holdings (China) Limited*), a corporation established in the PRC, (shares of which are listed on the National Equities Exchange and Quotations Systems with Company Code: 837889), is the subsidiary of Tianda Group Limited, the controlling Shareholder of the Company
“TCH (China) Group”	TCH (China) and its subsidiaries including but not limited to Cheng Cheng and its existing subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

** Name translated for reference purpose only in this Announcement*

By order of the Board
Tianda Pharmaceuticals Limited
FANG Wen Quan
Chairman and Managing Director

Hong Kong, 28 February 2020

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, Mr. FENG Quanming and Dr. LAM Lee G.; and the independent non-executive Directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa.