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**(I) REVISION OF ANNUAL CAP FOR
EXISTING CONTINUING CONNECTED TRANSACTION WITH SPH
AND
(II) RENEWAL OF FRAMEWORK AGREEMENT WITH SPH**

**Independent Financial Adviser to the
Independent Board Committee and the
Independent Shareholders**



(I) THE 2023 SUPPLEMENTAL AGREEMENT

References are made to the 2021 Announcement and the 2022 Announcement in relation to the 2021 Framework Agreement.

The Board is pleased to announce that, on 20 September 2023 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and SPH (for itself and on behalf of its subsidiaries) entered into the 2023 Supplemental Agreement, pursuant to which, the Company and SPH agreed to (i) revise the Existing Annual Cap to the Revised Annual Cap; and (ii) revise the expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023 for the purpose of aligning the relevant period of annual cap with the financial year end date of the Company.

(II) THE 2023 FRAMEWORK AGREEMENT

Pursuant to the 2023 Supplemental Agreement, the 2021 Framework Agreement shall expire on 31 December 2023. In such connection, the Board is pleased to announce that, on 20 September 2023 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and SPH (for itself and on behalf of its subsidiaries) entered into the 2023 Framework Agreement in relation to the Sales of the Products from the Group to the SPH Group for the period from 1 January 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

SPH is a substantial shareholder of the Company indirectly holding 280,517,724 Shares, representing approximately 13.05% of the total number of issued Shares as at the date of this announcement. SPH is hence a Connected Person of the Company under the Listing Rules. The 2023 Supplemental Agreement (which supplemented the 2021 Framework Agreement), the 2023 Framework Agreement and the respective transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Cap exceed 5%, the 2023 Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the 2023 Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As a result of the revision of the expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder by way of poll. SPH and its associates, which are interested in 280,517,724 Shares as at the date of this announcement (representing approximately 13.05% of the total number of issued Shares), will abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder. The Independent Board Committee comprises Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Dr. XIAN Yanfang, all being independent non-executive Directors. Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) details of the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee regarding the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder; (iii) the letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders regarding the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 12 October 2023.

INTRODUCTION

References are made to the 2021 Announcement and the 2022 Announcement in relation to, among other things, the continuing connected transactions contemplated under 2021 Framework Agreement with SPH for a term of three years ending 31 March 2024, and revision of annual caps and relevant periods of annual caps to align with the change of financial year end date of the Company from 31 March to 31 December.

The Board expects that the Existing Annual Cap under the 2021 Framework Agreement will be insufficient for the year ending 31 December 2023 and notes that the 2021 Framework Agreement shall expire on 31 March 2024. Therefore, on 20 September 2023 (after trading hours), the Company and SPH entered into the 2023 Supplemental Agreement to revise the Existing Annual Cap to the Revised Annual Cap and the expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023, in order to align the annual cap relevant period with the financial year end date of the Group.

Pursuant to the 2023 Supplemental Agreement, the 2021 Framework Agreement shall expire on 31 December 2023. In such connection, on 20 September 2023 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and SPH (for itself and on behalf of its subsidiaries) entered into the 2023 Framework Agreement in relation to the Sales of the Products from the Group to SPH Group for the period from 1 January 2024 to 31 December 2026.

THE 2023 SUPPLEMENTAL AGREEMENT

Principal terms of the 2023 Supplemental Agreement

Date: 20 September 2023 (after trading hours)

Parties: (1) the Company (for itself and on behalf of its subsidiaries); and
(2) SPH (for itself and on behalf of its subsidiaries)

SPH is a substantial Shareholder indirectly holding 280,517,724 Shares, representing approximately 13.05% of the total number of issued Shares as at the date of this announcement. SPH is hence a Connected Person of the Company under the Listing Rules.

Subject matter: Subject to the approval to be granted by resolution of the Independent Shareholders at the EGM,

(i) the Existing Annual Cap under the 2021 Framework Agreement for the year ending 31 December 2023 shall be revised as follow:

**For the year ending 31 December 2023
HK\$'000**

Existing Annual Cap	24,000
Revised Annual Cap	31,000

(ii) the expiry date of the 2021 Framework Agreement shall be revised from 31 March 2024 to 31 December 2023

Save as disclosed above, all of the existing terms and conditions of the 2021 Framework Agreement shall remain unchanged.

Basis of determination of the Revised Annual Cap

The Revised Annual Cap for the year ending 31 December 2023 is HK\$31,000,000.

The historical transaction amounts under the 2021 Framework Agreement for each of the financial year ended 31 March 2022, the nine months ended 31 December 2022 and the eight months ended 31 August 2023 are as follows:

	Year ended 31 March 2022 HK\$'000	Nine months ended 31 December 2022 HK\$'000	Eight months ended 31 August 2023 HK\$'000
Historical transaction amount	18,796	17,168	18,806
Average monthly transaction amount	1,566	1,908	2,351
Annual increment	23%	22%	23%

The Revised Annual Cap is determined mainly with reference to the following:

- (i) the historical Sales;
- (ii) the expected Sales in the remaining months of 2023; and
- (iii) the provision of 10% buffer for potential further business growth.

THE 2023 FRAMEWORK AGREEMENT

Principal terms of the 2023 Framework Agreement

Date: 20 September 2023 (after trading hours)

Parties: (1) the Company (for itself and on behalf of its subsidiaries); and
(2) SPH (for itself and on behalf of its subsidiaries)

Subject matter: Pursuant to the 2023 Framework Agreement, the Group agreed to sell the Products to the SPH Group during the period from 1 January 2024 to 31 December 2026.

The terms of the Sales shall adhere to the following principles:

- (i) the terms of the Sales (including prices and payment terms) shall be fair and reasonable and on normal commercial terms, and no less favourable to the Group than those offered by the Group to independent third parties; and
- (ii) the prices of the Products shall be determined based on the prevailing market prices.

When determining the prevailing market prices of the Products, the Company will make reference to (i) the market price of the Products through enquiry from the hospitals and retail pharmacies (if applicable); and (ii) the costs for the Products (including the cost of materials, delivery, insurance, and taxation and other relevant costs).

Term: Subject to the approval of the 2023 Framework Agreement to be granted by resolution of the Independent Shareholders at the EGM, the 2023 Framework Agreement will be effective from 1 January 2024 and ending on 31 December 2026.

Proposed annual caps: Pursuant to the 2023 Framework Agreement, the amount of the Sales for the three financial years ending 31 December 2026 shall not exceed the Proposed Annual Caps set out below:

	Financial year ending 31 December		
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Proposed Annual Caps	38,000	47,000	57,000

Basis of determination of the Proposed Annual Caps

The Proposed Annual Caps for each of the years ending 31 December 2024, 2025 and 2026 are HK\$38,000,000, HK\$47,000,000 and HK\$57,000,000 respectively.

The historical transaction amounts under the 2021 Framework Agreement for each of the financial year ended 31 March 2022, the nine months ended 31 December 2022 and the eight months ended 31 August 2023 are as follows:

	Year ended 31 March 2022 HK\$'000	Nine months ended 31 December 2022 HK\$'000	Eight months ended 31 August 2023 HK\$'000
Historical transaction amount	18,796	17,168	18,806
Average monthly transaction amount	1,566	1,908	2,351
Annual increment	23%	22%	23%

The Proposed Annual Caps are determined mainly with reference to the following:

- (i) the historical Sales;
- (ii) the expected increase in the demand of the Products;
- (iii) the expected increase in the sales of the Products to hospitals and retail drug stores attributable to the sales network of the SPH Group; and
- (iv) the provision of 10% buffer for potential further business growth.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 SUPPLEMENTAL AGREEMENT AND THE 2023 FRAMEWORK AGREEMENT

The principal business activities of the Group are the research and development, manufacture and sales of pharmaceutical, biotechnology and healthcare products and investment in the development of Chinese medicines industry.

The 2023 Supplemental Agreement

The Board has been monitoring the performance of the 2021 Framework Agreement. On 29 December 2022, the Board re-estimated and revised up the annual caps in respect of the Sales in the 2021 Framework Agreement and revised the relevant period of the existing annual caps of the continuing connected transactions so that the revised annual caps cover the period/year starting from 1 January or ending on 31 December (i.e. nine months ended 31 December 2022, year ended 31 December 2023 and three months ended 31 March 2024) in alignment with the Company's new financial year end date. Taking into account the further increase in market demand for the Products which increased the Sales under the 2021 Framework Agreement, the Board envisages that the Existing Annual Cap will not be sufficient to fulfil the transactions that may take place under the 2021 Framework Agreement for the year ending 31 December 2023. Hence, the Board proposed to seek Independent Shareholders' approval of the Proposed Revision of Annual Cap to satisfy the increasing demand of the Products. The Group will continue to conduct periodic reviews of the revised annual cap and abide by the pricing policy as described in the 2021 Announcement.

In view of the aforesaid, the Directors (excluding the independent non-executive Directors whose opinion will be given after receiving advice from Rainbow Capital) are of the view that the terms of the 2023 Supplemental Agreement and the Proposed Revision of Annual Cap arises in the ordinary and usual course of business of the Group, is fair and reasonable, and is based on normal commercial terms or better, and is in the interests of the Company and its shareholders as a whole.

Since the financial year end date of the Company has been changed from 31 March to 31 December, for aligning the relevant periods of the annual cap with the financial year end date of the Company, the parties decided to change the expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023. In light of the aforesaid reason, the Directors (including the independent non-executive Directors) are of the view that the change of expiry date of the 2021 Framework Agreement is fair and reasonable and is in the interest of the Company and its shareholders as a whole.

The 2023 Framework Agreement

Since the 2021 Framework Agreement shall expire on 31 December 2023 pursuant to the 2023 Supplemental Agreement, the 2023 Framework Agreement was entered into for the purpose of enabling the Group to continue the business relationship with the SPH Group in compliance with the Listing Rules as well as to capture the business opportunities that may be brought about by the SPH Group to the Group. SPH is a state-owned enterprise established in the PRC that provides leading healthcare services in research and development, manufacturing, distribution and retail. The SPH Group is a reliable business partner of the Group which has a well-established distribution network. The 2023 Framework Agreement enables the Group to tap into a larger market and approach a much wider clientele base with the support of the extensive sales and distribution network of the SPH Group in the PRC. In addition, as SPH Group is one of the largest pharmaceutical companies in the PRC, the partnership with the SPH Group can secure the distribution of the Group's Products to hospitals and retail pharmacies in the PRC via the SPH Group as the Group's distributor.

In view of the aforesaid, the Directors (excluding the independent non-executive Directors whose opinion will be given after receiving advice from Rainbow Capital) are of the view that the terms of the 2023 Framework Agreement and the transactions contemplated thereunder arises in the ordinary and usual course of business of the Group, is fair and reasonable, and is based on normal commercial terms or better, and is in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

SPH

SPH is a state-owned enterprise established in the PRC, with A shares listed on the Shanghai Stock Exchange (stock code: 601607), and H shares listed on the Main Board of the Stock Exchange (stock code: 02607). It provides leading healthcare services in research and development, manufacturing, distribution and retail. It is a substantial Shareholder of the Company indirectly holding approximately 13.05% of the total number of issued Shares of the Company.

The Group

Headquartered in Hong Kong, the Company is an investment holding company incorporated in the Cayman Island and listed on the Main Board of the Stock Exchange.

The Group is primarily engaged in the research and development, manufacture and sales of pharmaceutical, biotechnology and healthcare products and investment in the development of Chinese medicines industry.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for or to effect a material change to continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transaction.

SPH is a substantial Shareholder of the Company and is hence a Connected Person of the Company under the Listing Rules. The transactions contemplated under each of the 2023 Supplemental Agreement and the 2023 Framework Agreement therefore constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Cap exceed 5%, the 2023 Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the 2023 Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As a result of the revision of the expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

As Mr. ZHONG Tao, a non-executive Director, was nominated by SPH as its representative in the Board, he had abstained from voting on the board resolutions approving the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder.

The EGM will be convened at which ordinary resolutions will be proposed to consider, and if thought fit, to approve the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder. SPH and its associates, which are interested in 280,517,724 Shares as at the date of this announcement (representing approximately 13.05% of the total number of issued Shares), will abstain from voting on the resolutions to approve the relevant resolutions at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder. The Independent Board Committee comprises Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Dr. XIAN Yanfang, all being independent non-executive Directors. Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder, (ii) the letter of recommendation from the Independent Board Committee regarding the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder; (iii) the letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders regarding the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 12 October 2023.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	Tianda Pharmaceuticals Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00455)
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder
“Existing Annual Cap”	the existing annual cap in respect of the Sales for the year ending 31 December 2023 of HK\$24,000,000
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely, Mr. LAM Yat Fai, Mr. CHIU Sung Hong, and Dr. XIAN Yanfang, established to make recommendation to the Independent Shareholders in respect of the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than SPH and its associates

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Products”	various pharmaceutical products, Chinese medicine and healthcare products manufactured and supplied by the Group to the SPH Group
“Proposed Annual Caps”	the proposed annual cap in respect of the Sales under the 2023 Framework Agreement for the years ending 31 December 2024, 2025 and 2026
“Proposed Revision of Annual Cap”	the proposed increase of the Existing Annual Cap from HK\$24,000,000 to the Revised Annual Cap of HK\$31,000,000 for the Sales under the 2021 Framework Agreement for the year ending 31 December 2023
“Rainbow Capital’ or ‘Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder
“Revised Annual Cap”	the revised annual cap in respect of the Sales under the 2021 Framework Agreement (as supplemented by the 2022 Supplemental Agreement and the 2023 Supplemental Agreement) for the year ending 31 December 2023 of HK\$31,000,000
“Sales”	the sales of the Products, together with provision of product logistics services from the Group to SPH Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“SPH”	Shanghai Pharmaceutical Holding Co., Ltd.* (上海醫藥集團股份有限公司), a company established in the PRC, with A shares listed on the Shanghai Stock Exchange (stock code: 601607), and H shares listed on the Main Board of the Stock Exchange (stock code: 02607), which indirectly holds 13.05% of the total number of issued Shares
“SPH Group”	SPH and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“2021 Announcement”	the announcement of the Company dated 9 April 2021 in connection with, among others, the entering into of the 2021 Framework Agreement between the Company and SPH
“2021 Framework Agreement”	a framework agreement (as supplemented by the 2022 Supplemental Agreement and the 2023 supplemental Agreement) entered into between the Company, for itself and on behalf of its subsidiaries, and SPH, for itself and on behalf of its subsidiaries, in relation to, inter alia, the mutual supply of products and product logistics services between, the Group and the SPH Group, the details of which have been disclosed in the 2021 Announcement, the 2022 Announcement and this announcement
“2022 Announcement”	the announcement of the Company dated 29 December 2022 in connection with, inter alia, the revision of the annual caps and the relevant period of the annual caps so that the revised annual caps cover the period/year starting from 1 January or ending on 31 December in alignment with the Company’s new financial year end date
“2022 Supplemental Agreement”	the first supplemental agreement entered into between the Company, for itself and on behalf of its subsidiaries, and SPH, for itself and on behalf of its subsidiaries, in relation to, inter alia, revision of the annual caps under the 2021 Framework Agreement, the details of which have been disclosed in the 2022 Announcement

“2023 Supplemental Agreement”	the second supplemental agreement entered into between the Company, for itself and on behalf of its subsidiaries and SPH, for itself and on behalf of its subsidiaries in relation to, <i>inter alia</i> , the Proposed Revision of Annual Cap for the year ending 31 December 2023 and change of expiry date of the 2021 Framework Agreement
“2023 Framework Agreement”	a framework agreement dated 20 September 2023 entered into between the Company, for itself and on behalf of its subsidiaries, and SPH, for itself and on behalf of its subsidiaries, in relation to the Sales for the three years ending 31 December 2026
“%”	per cent

* *For identification only*

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

Hong Kong, 20 September 2023

As at the date of this announcement, the Executive Directors are Mr. FANG Wen Quan (Chairman and Managing Director) and Mr. LUI Man Sang; the Non-executive Directors are Mr. 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.