
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tianda Pharmaceuticals Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(I) REVISION OF ANNUAL CAP FOR EXISTING CONTINUING
CONNECTED TRANSACTION WITH SPH;
(II) RENEWAL OF FRAMEWORK AGREEMENT WITH SPH;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

The notice convening the EGM of Tianda Pharmaceuticals Limited to be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Thursday, 9 November 2023 at 10:30 a.m. is set out in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation in respect of the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder is set out on pages 18 to 32 of this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on Tuesday, 7 November 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.tiandapharma.com>).

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company currently in force
“Board”	the 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
“Controlling Shareholder”	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 held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Thursday, 9 November 2023 at 10:30 a.m., to consider and, if appropriate, to approve the 2023 Supplemental Agreement, the 2023 Framework Agreement and the respective transactions contemplated thereunder
“Existing Annual Cap”	the existing annual cap in respect the Sales for the year ending 31 December 2023 of HK\$24,000,000
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Shareholders”	the Shareholders other than SPH and its associates

DEFINITIONS

“Latest Practicable Date”	16 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. FANG”	Mr. FANG Wen Quan, the Chairman and Managing Director of the Company, who wholly owns Tianda Group as at the Latest Practicable Date
“PRC”	the People’s Republic of China, for the purpose of this circular, 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

DEFINITIONS

“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
“Tianda Group”	Tianda Group Limited, a company incorporated in Hong Kong with limited liability and the Controlling Shareholder
“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 the Announcement dated 20 September 2023
“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

DEFINITIONS

“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, inter alia, 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 three years ending 31 December 2026
“%”	per cent

* *For identification only*

LETTER FROM THE BOARD



天大藥業有限公司

TIANDA PHARMACEUTICALS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

Executive Directors:

FANG Wen Quan (*Chairman and Managing Director*)

LUI Man Sang

Non-executive Directors:

ZHONG Tao

FENG Quanming

Independent Non-executive Directors:

LAM Yat Fai

CHIU Sung Hong

XIAN Yanfang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head Office and principal

place of business:

Suites 2405-2410, 24th Floor

CITIC Tower

No. 1 Tim Mei Avenue

Central

Hong Kong

19 October 2023

To the Shareholders

Dear Sir/Madam

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

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 September 2023 in relation to, among other things, (i) the Proposed Revision of Annual Cap and change of expiry date of the 2021 Framework Agreement by entering into the 2023 Supplemental Agreement and (ii) the entering into the 2023 Framework Agreement.

The purpose of this circular is to provide the Shareholders with further information on the 2023 Supplemental Agreement, the 2023 Framework Agreement, related information required under the Listing Rules and the resolutions to be proposed at the EGM to be held on Thursday, 9 November 2023.

LETTER FROM THE BOARD

2. REVISION OF ANNUAL CAP FOR EXISTING CONTINUING CONNECTED TRANSACTION WITH SPH

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.

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 Latest Practicable Date. 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 amount 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.

LETTER FROM THE BOARD

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 market demand for the Products is in excess of the forecast, which has increased the Sales as the SPH Group acted as one of the major distributors of the Group. The Group has achieved a total revenue of HK\$303.5 million in the interim period ended 30 June 2023, representing a 21.5% growth compared with the previous interim period ended 30 September 2022. With the increase in market demand for the Products, we expect the revenue for the year ending 31 December 2023 will increase compared with prior corresponding financial period and the Sales under the 2021 Framework Agreement will increase accordingly.

The Company confirms that as at the Latest Practicable Date, the actual transaction amounts for the Sales under the 2021 Framework Agreement have not exceeded the Existing Annual Cap. The Directors will closely monitor the transaction amount to avoid any exceeding of the Existing Annual Cap before the Revised Annual Cap being approved by the Independent Shareholders.

Pricing and other terms

Save and except for the Proposed Revision of Annual Cap and the change in expiry date of the 2021 Framework Agreement from 31 March 2024 to 31 December 2023 pursuant to the 2023 Supplemental Agreement, all other terms and conditions of the 2021 Framework Agreement (as disclosed in the 2021 Announcement and the 2022 Announcement) remain unchanged.

LETTER FROM THE BOARD

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.

Please refer to the section headed "4. BUSINESS POLICY OF THE GROUP" for further details of the prices and payment terms.

LETTER FROM THE BOARD

3. RENEWAL OF FRAMEWORK AGREEMENT WITH SPH

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 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.
Pricing and payment terms:	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. Please refer to the section headed “4. BUSINESS POLICY OF THE GROUP” for further details of the prices and payment terms.
Contractual period:	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.

LETTER FROM THE BOARD

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	Nine months ended 31 December 2022	Eight months ended 31 August 2023
	HK\$'000	HK\$'000	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 by reference to (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.

Through the implementation of “3D+1S” major initiatives (business development (BD), research and development (R&D), investment and development (ID), and marketing and sales (S)), the Group continually increases its market share of existing products by expanding its sales network coverage and enriches its product pipelines through R&D and acquisition of high-quality varieties with market potential. The average monthly transaction amounts for the Sales recorded an approximately 22.8% increment over the past three financial periods. The Group has achieved a total revenue of HK\$303.5 million in the interim period ended 30 June 2023, representing a 21.5% growth compared with the previous interim period ended 30 September 2022. With the increase in market demand for the Products, we expect the revenue for years ending 31 December 2024, 2025 and 2026 will continue to increase and the Sales will increase accordingly.

LETTER FROM THE BOARD

4. BUSINESS POLICY OF THE GROUP

The Group adopted a business policy for the sales of the Products which is applicable to sales to all distributors (including the SPH Group and independent customers). Such policy is reviewed by the marketing department annually or more frequently if market condition changes materially. The Group has and will consistently applied such policy for the transactions under the 2021 Framework Agreement and the 2023 Framework Agreement.

The price of the Products to all distributors shall be determined on fair market basis with reference to the ultimate selling price of the Products to be sold to the ultimate customers as prescribed by the local statutory pricing authorities, which will be set downward from the prescribed price by leaving a reasonable mark-up of 3%-10% to the distributors for provision of sales and distribution services. Such mark-up is commonly adopted in the pharmaceutical distribution market and represents the reasonable cost and the profit of the distributors (including the SPH Group and independent customers) in providing the sales and distribution services for the Group. The credit period offered by the Group to all distributors (including the SPH Group and independent customers) may vary depending on individual transactions but shall generally be not more than 4 months.

The sales department proposes the terms of the sales (including prices and payment terms) according to the business policy of the Group and with reference to the geographical area of the place of delivery of the Products, the quantity ordered, and the financial standing, business relationship and background of the distributors. The responsible person of the relevant operating entity of the Group will review the terms of the sales to ensure that it is in accordance with the Group's business policy.

Given that the Group's business policy is applicable to all customers (including the SPH Group and independent customers), the Directors consider that the terms offered to the SPH Group are no less favourable to the Group than the terms offered to other independent customers.

5. INTERNAL CONTROL MEASURES OF THE GROUP

In order to protect the interests of the Shareholders, the Group has adopted the following internal control measures to regulate the respective individual transactions to be conducted within the framework of the 2021 Framework Agreement and the 2023 Framework Agreement:

- (i) regular trainings for employees, including the business operation, finance and internal audit departments, to strengthen their knowledge of Listing Rules and improve their awareness of the importance of compliance with the relevant Listing Rules;
- (ii) individual transactions with the SPH Group need to undergo contract approval process with the contract terms subject to review by operation team and finance team to ensure the terms adhere to the business policy applicable to all customers including the SPH Group. Such terms are determined taking into account the selling price and payment terms for a comparable quantity of the similar products sold to at least two independent customers by the Group in the recent quarter when conducting the specific transaction and 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;

LETTER FROM THE BOARD

- (iii) monthly review of the transaction amounts incurred under the 2021 Framework Agreement and the 2023 Framework Agreement. When the transaction amount reaches 80% or more of the relevant annual cap at any time, the matter shall promptly be reported to the Board, which will determine the appropriate measures to be taken, including but not limited to revising the relevant annual cap and seeking approval from the Independent Shareholders of the Company in accordance with the requirements of the Listing Rules, if necessary; and
- (iv) the Group's internal auditor will monitor the effectiveness and adequacy of the relevant internal control system, and make recommendations and reports to the audit committee of the Company on a regular basis.

6. 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 the 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 (including the independent non-executive Directors) 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.

LETTER FROM THE BOARD

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 (including the independent non-executive Directors) 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.

7. OTHER RELATED INFORMATION

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 & 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 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.

LETTER FROM THE BOARD

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 Latest Practicable Date (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.

Independent Board Committee

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.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular.

Independent Financial Adviser

Rainbow Capital has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the 2023 Supplemental Agreement and the 2023 Framework Agreement.

The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

LETTER FROM THE BOARD

8. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 37 to 38 of this circular. The Register of Members of the Company will be closed from Monday, 6 November 2023 to Thursday, 9 November 2023, both days inclusive, for the entitlement to attend and vote at the EGM, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 3 November 2023.

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all resolutions will be put to vote by way of poll at the EGM. An announcement on the poll results will be published by the Company on websites of the Company and the Stock Exchange after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.tiandapharma.com>). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on Tuesday, 7 November 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

9. RECOMMENDATION

Taking into account the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and all other factors stated above as a whole, the Directors (including the independent non-executive Directors) are of the opinion that each of the 2023 Supplemental Agreement (including the Revised Annual Cap), the 2023 Framework Agreement (including the Proposed Annual Caps) and the respective transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As such, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the 2023 Supplemental Agreement, the 2023 Framework Agreement, the respective transactions contemplated thereunder and the relevant annual caps as set out in the circular.



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

19 October 2023

To the Independent Shareholders

Dear Sir/Madam,

We refer to the circular issued by Tianda Pharmaceuticals Limited to the Shareholders dated 19 October 2023 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise you on the terms of (i) the 2023 Supplemental Agreement and the Proposed Revision of Annual Cap; and (ii) the 2023 Framework Agreement (including the Proposed Annual Caps), the details of which are set out in the Circular, as to their fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve them.

Rainbow Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 18 to 32 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the terms of (i) the 2023 Supplemental Agreement and the Proposed Revision of Annual Cap; and (ii) the 2023 Framework Agreement (including the Proposed Annual Caps), the details of which are set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of each of the 2023 Supplemental Agreement (together with the Proposed Revision of Annual Cap) and the 2023 Framework Agreement (together with the Proposed Annual Caps) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2023 Supplemental Agreement and the 2023 Framework Agreement.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. LAM Yat Fai
Independent non-executive Director

Mr. CHIU Sung Hong
Independent non-executive Director

Dr. XIAN Yanfang
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the respective transactions contemplated under the 2023 Supplemental Agreement and the 2023 Framework Agreement, which has been prepared for the purpose of inclusion in this circular.



RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

19 October 2023

To the Independent Board Committee and the Independent Shareholders

Tianda Pharmaceuticals Limited

Suites 2405-2410, 24th Floor
CITIC Tower
No. 1 Tim Mei Avenue
Central
Hong Kong

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Supplemental Agreement and the 2023 Framework Agreement and the respective transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated 19 October 2023 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the SPH Group for the period from 1 January 2024 to 31 December 2026.

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 Latest Practicable Date. SPH is hence a Connected Person of the Company under the Listing Rules. The 2023 Supplemental Agreement (which supplemented the 2021 Framework Agreement) and 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 and the Proposed Annual Caps exceed 5%, the 2023 Supplemental Agreement and the 2023 Framework Agreement and the respective transactions contemplated thereunder are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SPH and its associates, which are interested in 280,517,724 Shares as at the date of the Latest Practicable Date (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, comprising all the independent non-executive Directors, namely Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Dr. XIAN Yanfang, has been formed to advise the Independent Shareholders on the 2023 Supplemental Agreement and the 2023 Framework Agreement and the respective transactions contemplated thereunder. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and the SPH Group that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group, the SPH Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or the SPH Group. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules and therefore are qualified to give independent advice in respect of the 2023 Supplemental Agreement and the 2023 Framework Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the SPH Group or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2023 Supplemental Agreement and the 2023 Framework Agreement, we have taken into account the principal factors and reasons set out below:

1. Information of the Group and the SPH Group

(i) Information of the Group

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.

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 March 2022 and the nine months ended 31 December 2022 as extracted from the annual report of the Company for the nine months ended 31 December 2022, and for the six months ended 30 September 2022 and 30 June 2023 as extracted from the interim report of the Company for the six months ended 30 June 2023:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance

	Nine months ended 31 December 2022 <i>HK\$'000</i> <i>(audited)</i>	Year ended 31 March 2022 <i>HK\$'000</i> <i>(audited)</i>	Six months ended 30 June 2023 <i>HK\$'000</i> <i>(unaudited)</i>	Six months ended 30 September 2022 <i>HK\$'000</i> <i>(unaudited)</i>
Revenue	410,021	509,955	303,484	249,856
Average monthly revenue	45,558	42,496	50,581	41,643
Gross profit	188,641	241,223	155,097	122,188
Other income, gains and losses, net	9,761	16,805	3,870	7,021
Selling and distribution expenses	(150,609)	(198,003)	(111,374)	(92,715)
Administrative expenses	(63,528)	(71,459)	(41,994)	(41,412)
Research and development expenses	(27,112)	(15,859)	(8,692)	(11,997)
Finance costs	(5,043)	(725)	(2,476)	(3,282)
Loss before tax	(47,890)	(28,018)	(5,569)	(20,197)
Loss attributable to the Shareholders	(40,977)	(19,771)	(4,127)	(16,349)

The Group recorded average monthly revenue of approximately HK\$45.6 million for the nine months ended 31 December 2022, representing an increase of approximately 7.2% as compared to that for the year ended 31 March 2022, which was mainly due to the increase in revenue derived from pharmaceuticals and medical technologies business. For the nine months ended 31 December 2022, the sales of Tuoping® and Tuoen® reached approximately HK\$148.3 million and approximately HK\$118.8 million, respectively, as compared to approximately HK\$173.8 million and approximately HK\$92.7 million, respectively, for the year ended 31 March 2022. The Group's loss attributable to the Shareholders increased by approximately 107.3% from approximately HK\$19.8 million for the year ended 31 March 2022 to approximately HK\$41.0 million for the nine months ended 31 December 2022, which was mainly due to (i) the increase in R&D expenses from approximately HK\$15.9 million to approximately HK\$27.1 million for the development of more new products; and (ii) the Group recorded a one-off gain and related income tax credit of an aggregate of approximately HK\$18.5 million on the disposal of a subsidiary for the year ended 31 March 2022.

The Group recorded revenue of approximately HK\$303.5 million for the six months ended 30 June 2023, representing an increase of approximately 21.5% from approximately HK\$249.9 million for the six months ended 30 September 2022, which was mainly due to the increase in revenue derived from pharmaceuticals and medical technologies business, benefiting from the strong sales growth of approximately 89.5% recorded by the Group's pediatric drug, Tuoen®Ibuprofen, as well as the satisfactory sales performance of other major products. The loss attributable to the Shareholders decreased significantly by 74.8% from HK\$16.3 million for the six months ended 30 September 2022 to HK\$4.1 million for the six months ended 30 June 2023, which was mainly due to the increase in revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	30 June	31 December	31 March
	2023	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets, including:	563,281	530,295	586,705
– Property, plant and equipment	367,572	352,442	382,492
– Goodwill	93,159	95,948	106,214
Current assets, including:	404,235	558,173	577,446
– Trade and bills receivables	109,958	138,752	141,744
– Cash and cash equivalents	189,654	340,277	334,002
Current liabilities, including:	306,525	362,425	271,659
– Trade payables	104,483	71,340	105,174
– Other payables and accruals	109,910	207,330	95,444
– Interest-bearing bank borrowings	70,195	64,674	57,259
Non-current liabilities, including:	34,411	71,801	103,417
– Interest-bearing bank borrowings	27,812	61,972	90,634
Equity attributable to the Shareholders	601,587	627,831	756,754

As at 30 June 2023, total assets of the Group were approximately HK\$967.5 million, which mainly consisted of (a) property, plant and equipment of approximately HK\$367.6 million; (b) goodwill of approximately HK\$93.2 million; (c) trade and bills receivables of approximately HK\$110.0 million; and (d) cash and cash equivalents of approximately HK\$189.7 million.

As at 30 June 2023, total liabilities of the Group were approximately HK\$340.9 million, which mainly consisted of (a) interest-bearing bank borrowings of approximately HK\$98.0 million, of which the bank borrowings maturing in one year and maturing within two to five years amounted to HK\$70.2 million and HK\$27.8 million, respectively; (b) trade payables of approximately HK\$104.5 million; and (c) other payables and accruals of approximately HK\$109.9 million.

The gearing ratio, which is interest-bearing bank borrowings divided by the equity attributable to the Shareholders, decreased to 16.2% as at 30 June 2023 from 20.2% as at 31 December 2022 as a result of the decrease in bank borrowings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Information of 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.

2. Background, reasons for and benefits of entering into the 2023 Supplemental Agreement and the 2023 Framework Agreement

The Group and the SPH Group have been selling the pharmaceutical products, Chinese medicine and healthcare products as well as providing the related logistic services to each other through entering into a framework agreement to govern the relevant terms since 26 March 2018. In view of the long term cooperation relationship between the Group and SPH Group, such arrangement was renewed and the 2021 Framework Agreement was entered on 9 April 2021. Subsequently, due to the rapid business growth of the Group and for alignment with the Company's new financial year end date from 31 March to 31 December, the 2022 Supplemental Agreement was entered between the parties in order to revise the relevant original annual cap for the sales of the Group's products and the provision of the related logistics services under the 2021 Framework Agreement from HK\$18.0 million to HK\$24.0 million for the year ending 31 December 2023.

The 2023 Supplemental Agreement

As stated in the section headed "1. Information of the Group and the SPH Group" above, the Group recorded revenue of approximately HK\$303.5 million for the six months ended 30 June 2023, representing an increase of approximately 21.5% from approximately HK\$249.9 million for the six months ended 30 September 2022, which was mainly due to the increase in revenue derived from pharmaceuticals and medical technologies business. According to the management of the Group, the Sales for the eight months ended 31 August 2023 amounted to approximately HK\$18.8 million, which had already reached approximately 78.4% of the relevant existing annual cap of HK\$24.0 million. Taking into account of the foregoing, 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.

In view of the above, on 20 September 2023, the Company entered into the 2023 Supplemental Agreement to further revise the Existing Annual Cap from HK\$24.0 million to the Revised Annual Cap of HK\$31.0 million for the Sales to satisfy the increasing demand of the Products. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 2023 Framework Agreement

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. As stated in the Letter from the Board, the Board believes that the continuing arrangement with the SPH Group 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.

Accordingly, in view of the expiry of the 2021 Framework Agreement on 31 December 2023 and in order to regulate the Group's continuous Sales to the SPH Group, the Company entered into the 2023 Framework Agreement on 20 September 2023.

Taking into account that (i) the increase in revenue of the Group in the recent periods which was mainly attributable to the increase in sales of the pharmaceuticals and medical technologies business as aforesaid; and (ii) the extensive distribution network possessed by SPH which the Group could leverage on broadening its potential customer bases and thereby creating commercial benefits of the Group and its products in the future, we concur with the Directors that the entering into of the 2023 Framework Agreement and the respective transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2023 Supplemental Agreement and the 2023 Framework Agreement

Details of the terms of the 2023 Supplemental Agreement and the 2023 Framework Agreement are set out in the Letter from the Board. Set out below are the principal terms of the 2023 Supplemental Agreement and the 2023 Framework Agreement:

(i) The 2023 Supplemental Agreement

- Date : 20 September 2023 (after trading hours)
- Parties : (a) the Company (for itself and on behalf of its subsidiaries); and
(b) SPH (for itself and on behalf of its subsidiaries)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

- (a) 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

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

Other terms and conditions of the 2021 Framework Agreement shall remain unchanged.

Pricing and other terms : The terms of the Sales shall adhere to the following principles:

- (a) 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
- (b) the prices of the Products shall be determined based on the prevailing market prices.

Please refer to the section headed “4. BUSINESS POLICY OF THE GROUP” in the “Letter from the Board” for further details of the prices and payment terms.

Our assessment

Other than the revision of the Existing Annual Cap and the expiry date, all other terms of the 2021 Framework Agreement shall remain the same and in full force and effect. Accordingly, the terms under the 2023 Supplemental Agreement remain principally the same as those of the 2021 Framework Agreement. Please refer to the sub-section below headed “3.(ii) The 2023 Framework Agreement – our assessment” for our assessment of the terms of the 2021 Framework Agreement and the 2023 Framework Agreement. Based on our review, we note that the terms for transaction contemplated under the 2023 Supplemental Agreement are no less favourable to the Group than the terms for similar transactions between the Group and Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) **The 2023 Framework Agreement**

- Date : 20 September 2023 (after trading hours)
- Parties : (a) the Company (for itself and on behalf of its subsidiaries); and
(b) 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
- Pricing and payment terms : The terms of the Sales shall adhere to the following principles:
- (a) 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
 - (b) the prices of the Products shall be determined based on the prevailing market prices.

Please refer to the section headed “4. BUSINESS POLICY OF THE GROUP” in the “Letter from the Board” for further details of the prices and payment terms.

Our assessment

In assessing whether the terms of the 2023 Framework Agreement are fair and reasonable, we have been provided by the Company with, and have selected on a random basis and obtained and reviewed 16 sale agreements (the “**Independent Agreements**”) entered into between the Group as the supplier and the independent customers as the purchaser for the sales of the Products from 2021 to 2023. For comparison purpose, we have also obtained and reviewed 18 sale agreements (the “**SPH Agreements**”) entered into between the Group and the SPH Group for the sales of the similar Products from 2021 to 2023 under the 2021 Framework Agreement. Given the Independent Agreements and the SPH Agreements cover (i) seven types of the Products; (ii) each year of the contractual period under the 2021 Framework Agreement; and (iii) the sales to three independent customers, we consider Independent Agreements and the SPH Agreements to be fair and representative.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our review of the Independent Agreements and the SPH Agreement, we noted that (a) the payment term for sales of the Products to the SPH Group and the independent customers are the same that both shall be settled before delivery or within 30 to 90 days; (b) the delivery term are the same such that the Group shall be responsible for delivering the Products to the SPH Group and the independent customers. We have obtained and reviewed the freight bills in relation to the Independent Agreements and the SPH Agreements. Although the delivery costs vary to customers in different locations, the delivery cost represents a minor portion of the sale price. We consider for similar types of the Products, the cost between the sales to SPH Group and independent customers are broadly the same; (c) the Group sets the same retail guidance price to each Product for the SPH Group and the independent customers; and (d) the price of the Products sold to the SPH Group is higher than or equivalent the price of the Products sold to the independent customers.

As stated in the Letter from the Board, the Group has adopted a business policy for the sales of the Products which is applicable to sales to all distributors (including the SPH Group and independent customers). The price of the Products to all distributors will be set to leave a reasonable mark-up of 3% to 10% to the distributors for provision of sales and distribution services. Based on the latest published annual report of SPH, SPH's distribution segment, representing provision of distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers (including the Group and other independent customers), recorded a gross profit margin of approximately 6.6% for the year ended 31 December 2022. As such, we consider the mark-up of 3% to 10% set by the Group for all distributors to be reasonable.

Based on our review as stated above, we consider the terms of the SPH Agreements under the 2021 Framework Agreement are no less favourable to the Group than those of the Independent Agreements and are on normal commercial terms which are fair and reasonable.

Given that terms of the 2023 Framework Agreement are generally consistent with the 2021 Framework Agreement, we consider that the terms of 2023 Framework Agreement to be on normal commercial terms which are fair and reasonable. Please refer to the section headed "4. Internal Control Measures of the Group" below for our analyses of further safeguards imposed by the Group.

4. Internal control measures of the Group

In order to protect the interests of the Shareholders, the Group has adopted the following internal control measures to regulate the respective individual transactions to be conducted within the framework of the 2021 Framework Agreement and the 2023 Framework Agreement:

- (i) regular trainings for employees, including the business operation, finance and internal audit departments, to strengthen their knowledge of Listing Rules and improve their awareness of the importance of compliance with the relevant Listing Rules;
- (ii) individual transactions with the SPH Group need to undergo contract approval process with the contract terms subject to review by operation team and finance team to ensure the terms adhere to the business policy applicable to all customers including the SPH Group. Such terms are determined taking into account the selling price and payment terms for a comparable quantity of the similar products sold to at least two independent customers by the Group in the recent quarter when conducting the specific transaction and 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) monthly review of the transaction amounts incurred under the 2021 Framework Agreement and the 2023 Framework Agreement. When the transaction amount reaches 80% or more of the relevant annual cap at any time, the matter shall promptly be reported to the Board, which will determine the appropriate measures to be taken, including but not limited to revising the relevant annual cap and seeking approval from the Independent Shareholders of the Company in accordance with the requirements of the Listing Rules, if necessary; and
- (iv) the Group's internal auditor will monitor the effectiveness and adequacy of the relevant internal control system, and make recommendations and reports to the audit committee of the Company on a regular basis.

In assessing whether the above internal control measures are put in place and effectively implemented, we have reviewed the Group's training materials in relation to the continuing connected transactions and noted the Group has provided comprehensive training on continuing connected transactions to its employees. As stated above, the Group conducts regular monthly review on the transactions with the SPH Group and supervises over the transaction amounts. In this respect, we have obtained summary reports of the transactions conducted under the 2021 Framework Agreements for the seven months ended 31 July 2023 and noted the transaction amount had been monitored and the annual caps were not exceeded.

In addition, as discussed in the section headed "3. Principal terms of the 2023 Supplemental Agreement and 2023 Framework Agreement" above, we have obtained and reviewed the SPH Agreements and the Independent Agreements and noted that the price of the Products sold by the Group to the SPH Group were higher than or equivalent to the price of the Products sold to the independent customers. In light of the above and considering (i) the sales of the Products will be conducted on a non-exclusive basis such that the Group will have flexibility to opt for other independent customers if terms being offered are more favourable than those offered by SPH; and (ii) the monitoring measures undertaken by the Company through comparison of selling price of a comparable quantity of the similar product to at least two independent customers by the Group in the recent quarter before conducting a specific transaction, we are of the view that the Group's internal control measures in relation to the pricing policies serve to ensure the sales of the Products will be conducted on normal commercial terms and with reference to the prevailing market price, and as such, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the internal control measure for monitoring the transactions contemplated under the 2021 Framework Agreement and the 2023 Framework Agreement have been effectively implemented, and we concur with the Directors that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the 2021 Framework Agreement and the 2023 Framework Agreement will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Assessment of the Revised Annual Cap and the Proposed Annual Caps

(i) Review of the historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the transactions contemplated under the 2021 Framework Agreement:

	Year ended 31 March 2022 <i>HK\$'000</i>	Nine months ended 31 December 2022 <i>HK\$'000</i>	Eight months ended 31 August 2023 <i>HK\$'000</i>
Historical transaction amount	18,796	17,168	18,806
Average monthly transaction amount	1,566	1,908	2,351
Historical annual caps	18,000	18,000	24,000
Utilisation rate	104.4%	95.4%	78.4%
	<i>(Note)</i>		
Annualised utilisation rate			117.5%

Note: As disclosed in the announcement of the Company dated 24 June 2022, the exceeding of the approved annual cap is mainly attributable to the higher-than-expected demand for the Products and services from SPH Group, especially in the last quarter of FY2022 and was an inadvertent oversight and an isolated event. The Company has taken measures to further strengthen the relevant internal monitoring procedures.

As shown in the table above, the actual transaction amounts contemplated under the 2021 Framework Agreement were approximately HK\$18.8 million and HK\$17.2 million for the year ended 31 March 2022 and the nine months ended 31 December 2022, respectively, representing approximately 104.4% and 95.4% of the total annual caps for the respective periods. Moreover, the transaction amount for the eight months ended 31 August 2023 was approximately HK\$18.8 million and the annualised utilisation rate of the annual cap was approximately 117.5%, which implies the original annual cap of HK\$24.0 million is likely to be exceeded. In view of the high utilisation of the historical annual caps based on the aforesaid, the Company proposes to revise the Existing Annual Cap.

(ii) Assessment of the Revised Annual Cap and the Proposed Annual Caps

The Revised Annual Cap

The Group proposes to revise the existing annual cap under the 2021 Framework Agreement (as supplemented by the 2022 Supplemental Agreement and 2023 Supplemental Agreement) in respect of the Sales of Products to the SPH Group from HK\$24.0 million to HK\$31.0 million for the year ending 31 December 2023 pursuant to the 2023 Supplemental Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the Revised Annual Cap, we have discussed with the management of the Group on the basis and assumption underlying the projections for the Products to be sold by the Group. As advised by the management of the Group, in determining the Revised Annual Cap, they have primarily taken into account, among others, (a) the historical Sales; (b) the expected Sales in the remaining months of 2023; and (c) the provision of 10% buffer for potential further business growth.

Based on our re-computation and review of the sales data provided by the management of the Group, the average monthly sales amounted to approximately HK\$1.6 million, HK\$1.9 million and HK\$2.4 million for the year ended 31 March 2022, nine months ended 31 December 2022 and eight months ended 31 August 2023 (the “**Review Period**”), respectively, showing an average annual increment of approximately 22.8%. As discussed with the management of the Group, such increase was principally due to the strong market demand of the major products Tuoping® and Tuoen® and the Group’s strategy of continually expansion of sales channels to expand product market coverage, which is expected to continue in the remaining months of 2023. According to our review of the total sales amount of approximately HK\$18.8 million for the eight months ended 31 August 2023, assuming an average monthly sale of approximately HK\$2.4 million and there is no revision of the Existing Annual Cap, the estimated annualised sales is expected to reach approximately HK\$28.2 million which already exceeds the existing annual cap of HK\$24.0 million.

Having considered (i) the Group’s Sales of the Products to the SPH Group from January to August 2023 amounted to approximately HK\$18.8 million, which had already reached approximately 78.4% of the existing annual cap of HK\$24.0 million and beginning to approach such limit contemplated under the 2021 Framework Agreement for the year ending 31 December 2023; and (ii) the fact that the historical Sales show an average annual increment of over 20%, we consider it reasonable for the Directors to revise the existing annual cap from HK\$24.0 million to HK\$31.0 million under the 2023 Supplemental Agreement.

The Proposed Annual Cap

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group on the basis and assumption underlying the projections for the Products to be sold by the Group. As advised by the management of the Group, in determining the Proposed Annual Caps, they have taken into account, among others, (a) the historical Sales; (b) the expected increase in the demand of the Products and the increase in the sales of the Products to hospitals and retail drug stores attributable to the sales network of the SPH Group; and (c) the provision of 10% buffer for potential further business growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Group on each of the above factors and their potential impacts on the proposed annual caps and reviewed the relevant calculations, which is further analysed as follows:

	The 2021 Framework Agreement			
	The 2023 Framework Agreement			
	For the year ending	For the year ending	For the year ending	For the year ending
	31 December 2023	31 December 2024	31 December 2025	31 December 2026
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Estimated transaction amounts (A)	28,209	34,641	42,539	52,238
Buffer (B)	10%	10%	10%	10%
Proposed annual caps (C=A*(1+B))	31,000	38,000	47,000	57,000

As set out in the above table, the estimated transaction amounts for the four years ending 31 December 2026 are HK\$28.2 million, HK\$34.6 million, HK\$42.5 million and HK\$52.2 million, representing an annual growth rate of 22.8% from 2023 to 2026.

Based on our review, we noted that (i) the historical transaction amount of the Sales of the Products to the SPH Group during the Review Period ranged from approximately HK\$18.8 million, HK\$17.2 million and HK\$18.8 million, which translates to an average monthly sales of approximately HK\$1.6 million, HK\$1.9 million and HK\$2.4 million; (ii) the estimated transaction amount of approximately HK\$28.2 million for the year ending 31 December 2023 is calculated based on the historical average monthly transaction amount of approximately HK\$2.4 million for the eight months ended 31 August 2023; (iii) the average annual increment during the Review Period amounted to approximately 22.8%, which is the mean of the growth rates of the average monthly transaction amounts for the year ended 31 March 2022, the nine months ended 31 December 2022 and the eight months ended 31 August 2023, and is consistent to the annual growth rate to be applied by the Company on deriving the estimated transaction amounts for the three years ending 31 December 2026; and (iv) the revenue of the Group increased by approximately 21.5% to approximately HK\$303.5 million for the six months ended 30 June 2023 from approximately HK\$249.9 million for the six months ended 30 September 2022, which is in line with the annual growth rate to be applied in deriving the Proposed Annual Caps.

Based on our review of the latest published annual report of SPH, SPH is the second largest national pharmaceutical circulation enterprise and the largest service platform for imported drugs in China. Its distribution network covers 31 provinces, municipalities directly under the central government and autonomous regions in China, and covers more than 32,000 medical institutions of all kinds. Besides, it has established strategic cooperative relations with major pharmaceutical manufacturers at home and abroad.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to an industry report in relation to the pharmaceutical market in China issued by Frost & Sullivan, with increasing disposable income, an aging population, rising health awareness and life expectancy and implementation of healthcare reform plans, China's total healthcare expenditure has experienced significant growth, and is expected to further grow in the future. China's pharmaceutical market has grown rapidly, and is expected to reach RMB2,095.8 billion in 2026 at a CAGR of 7.8% from 2022.

Taking into account (i) the estimated transaction amounts for the three years ending 31 December 2026 are calculated based on the historical average transaction amount and growth rate, which we consider to be justifiable; (ii) the leading distribution and retail capabilities of the SPH Group in the PRC; (iii) the pharmaceutical market in China has grown rapidly and is expected to further grow; and (iv) a buffer of 10% is built in to derive the Proposed Annual Caps so as to cater for any potential future business growth, which we consider to be reasonable after taking into account the historical growth of the Group's revenue and the high utilisation rate of the Existing Annual Caps, we consider the Proposed Annual Caps to be fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2023 Supplemental Agreement and 2023 Framework Agreement and the respective transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023 Supplemental Agreement (including the Revised Annual Cap) and the 2023 Framework Agreement (including the Proposed Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the 2023 Supplemental Agreement (including the Revised Annual Cap) and 2023 Framework Agreement (including the Proposed Annual Caps) and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares, underlying shares and debentures of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Number of underlying shares	Aggregate interest	Approximate percentage of interest
Mr. FANG	Interest in a controlled corporation	1,219,579,370 (Note)	–	1,219,579,370	56.72%

Note:

These 1,219,579,370 Shares were directly owned by Tianda Group which is legally and beneficially wholly-owned by Mr. FANG.

Long position in the Shares, underlying shares and debentures of the associated corporations

Name of the associate corporation	Name of Director	Capacity/Nature of interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Tianda Group (Note)	Mr. FANG	Beneficial owner	217,000,000	100%

Note: Tianda Group is legally and beneficially wholly-owned by Mr. FANG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares, underlying Shares and debentures of the Company

Name of Shareholder	Capacity/Nature of interest	Note	Number of Shares interested	Aggregate interest	Approximate percentage of interest
Tianda Group	Beneficial owner	1	1,219,579,370	1,219,579,370	56.72%
SIIC Medical Science and Technology (Group) Limited ("SMST")	Beneficial owner	2	280,517,724	280,517,724	13.05%
SPH	Interest in controlled corporation	2, 3	280,517,724	280,517,724	13.05%
Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC")	Interest in controlled corporation	2, 3	280,517,724	280,517,724	13.05%
Hongta Tobacco (Group) Limited ("Hongta")	Beneficial owner	–	207,616,264	207,616,264	9.66%

Notes:

1. Tianda Group is legally and beneficially wholly-owned by Mr. FANG. Mr. FANG is a director of Tianda Group.
2. SMST is legally and beneficially wholly-owned by SPH. SPH is deemed to be interested in all the Shares held by SMST.
3. SPH is legally and beneficially owned as to 30.4% by Shanghai Shangshi (Group) Co., Ltd. (“**Shanghai Shangshi**”) and 5.7% by SIIC. Shanghai Shangshi and SIIC are legally and beneficially wholly-owned by Shanghai State-owned Assets Supervision and Administration (“**Shanghai SASAC**”). SIIC was authorised by Shanghai SASAC to be de facto controller of Shanghai Shangshi and is deemed to be interested in all the Shares held by SMST by virtue of controlling SPH.

Mr. FANG and Mr. LUI Man Sang are respectively the chairman and the deputy general manager of Tianda Group. Mr. ZHONG Tao is the vice president, board secretary and joint company secretary of SPH. Mr. FENG Quanming is the chief financial controller of Hongta. Save for the above, there is no other Director or proposed director of the Company is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the Directors or chief executives of the Company) had the interests or short positions in the Shares or underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

3. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder).

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS’ INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who has provided its opinion or advice, which is contained in this circular:

Name	Qualification
Rainbow Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (<http://www.tiandapharma.com>) for a period of 14 days from the date of this circular:

- (a) the 2023 Supplemental Agreement; and
- (b) the 2023 Framework Agreement.

NOTICE OF EGM



NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**EGM**”) of Tianda Pharmaceuticals Limited (the “**Company**”) will be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Thursday, 9 November 2023 at 10:30 a.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. “**THAT** the supplemental agreement dated 20 September 2023 (the “**2023 Supplemental Agreement**”, a copy of which marked “A” has been tabled before the meeting and initialled by the chairman of the meeting for the purpose of identification) between the Company and Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司) (“**SPH**”), in relation to, among other things, the proposed revision of annual cap (the “**Proposed Revision of Annual Cap**”) for the year ending 31 December 2023 for the transactions contemplated under the framework agreement (the “**2021 Framework Agreement**”) dated 9 April 2021 between the Company and SPH, and the change of the expiry date of the 2021 Framework Agreement be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to do all such things and exercise all powers which they consider necessary, desirable or expedient in connection with the 2023 Supplemental Agreement and the Proposed Revision of Annual Cap.”
2. “**THAT** the framework agreement dated 20 September 2023 (the “**2023 Framework Agreement**”, a copy of which marked “B” has been tabled before the meeting and initialled by the chairman of the meeting for the purpose of identification) between the Company and SPH in relation to the sales of various pharmaceutical products, Chinese medicine and healthcare products manufactured and supplied by the Company and its subsidiaries to SPH and its subsidiaries from 1 January 2024 to 31 December 2026 and the terms of and proposed annual caps in relation to the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to do all such things and exercise all powers which they consider necessary, desirable or expedient in connection with the 2023 Framework Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder including without limitation to any amendment or supplement thereof.”

Yours faithfully,
For and on behalf of the board of Directors
Tianda Pharmaceuticals Limited
FANG Wen Quan
Chairman and Managing Director

Hong Kong, 19 October 2023

* For identification only

NOTICE OF EGM

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy/more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 10:30 a.m. on Tuesday, 7 November 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Monday, 6 November 2023 to Thursday, 9 November 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 November 2023.
5. If the Shareholders have any questions relating to the business of the EGM that they would like to be addressed, the Company encourages the Shareholders to submit their questions in writing by email to ir@tianda.com from 9:00 a.m. on Monday, 30 October 2023 to 6:00 p.m. on Monday, 6 November 2023. The Company will endeavor to address the questions raised. However, due to time constraints, unanswered questions will be responded to after the EGM as appropriate.
6. In case the EGM is anticipated to be affected by black rainstorms or tropical cyclone with warning signal no.8 or above, please refer to the websites of Hong Kong Stock Exchanges (www.hkexnews.hk) and the Company (www.tiandapharma.com) for announcement on bad weather arrangement for the EGM.
7. A circular containing further details concerning items 1 and 2 set out in the above notice will be sent to all shareholders of the Company.
8. References to time and dates in this notice are to Hong Kong time and dates.
9. In the event of any inconsistency, the English version shall prevail.