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CONNECTED AND MAJOR TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST OF A WHOLLY-OWNED SUBSIDIARY

THE AGREEMENT

On 22 February 2019 (after trading hours), Tianda Pharmaceuticals (Hong Kong) and Tianda Group entered into the Agreement, pursuant to which, among other things, Tianda Group grants a conditional disposal right to Tianda Pharmaceuticals (Hong Kong). Pursuant to the Disposal Right, upon fulfilment of all of the Triggering Conditions, Tianda Pharmaceuticals (Hong Kong) shall inform Tianda Group to acquire, either by Tianda Group itself or through its wholly-owned subsidiary, and Tianda Group shall acquire the Target Shares from Tianda Pharmaceuticals (Hong Kong) at a consideration of RMB125 million (equivalent to approximately HK\$145 million) plus the cash at bank of Zhuhai Target as at the Closing Date, which the Consideration shall not be more than RMB145 million (equivalent to approximately HK\$168.2 million) in any event.

REASONS FOR THE TRANSACTIONS AND EXPECTED BENEFITS TO THE COMPANY

The Target Property has been utilized by the Group for R&D and production base in Zhuhai since 2012. According to the 2018 annual report of the Company, the Group proposes to relocate its R&D and production base in Zhuhai from the Target Property to the New R&D and Production Base in Jinwan District, Zhuhai, the PRC. The project is progressing in full swing. It is expected to be completed by the end of 2019 and will commence formal operation in mid-2020. The Group will no longer have any operation in the Target Property thereafter. In addition, the Disposal Right under the Agreement provides the Group with the flexibility to sell the Target Property at an appropriate time when the Triggering Conditions are satisfied. Meanwhile, the sales proceeds from the Transactions will provide the Company with additional working capital. Therefore, the Agreement not only represents the best use of the Group's resources to dispose of the Target Property, but also provides the Group with certainty that it may dispose of such property at a consideration.

After deducting taxes and transaction costs, the total net cash proceeds from the Transactions will be approximately RMB117.4 million (equivalent to approximately HK\$136.2 million). The Group intends to use the above net proceeds as general working capital, to develop pharmaceutical products, to repay any possible financing for the construction of the New R&D and Production Base and to finance for potential mergers and acquisitions if such opportunities arise.

In view of the above, the Directors (other than (i) the members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser; and (ii) Mr. Fang Wen Quan and Mr. Lui Man Sang who have abstained from voting on the relevant Board resolutions in relation to the Agreement and the Transactions) are of the view that the terms of the Agreement and the Transactions are on normal commercial terms, which are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Tianda Group is the controlling shareholder of the Company. Accordingly, the Transactions also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

In light of the foregoing, the Transactions are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Mr. Fang Wen Quan, the Chairman of the Board and the Managing Director, has the entire equity interest in Tianda Group and Mr. Lui Man Sang was appointed as an executive Director by Tianda Group. Therefore, they are considered to have a material interest in the Agreement and the Transactions. Each of Mr. Fang Wen Quan and Mr. Lui Man Sang has not taken part in the voting at the Board meeting to approve the Agreement and the Transactions. Save as disclosed above, none of the Directors has any material interest in the aforesaid matter.

GENERAL

An EGM will be convened and held for the independent Shareholders to consider and, if thought fit, approve the Agreement and the Transactions. Tianda Group, Mr. Fang Wen Quan and their respective associates are required to abstain from voting in relation to the resolutions to approve the Agreement and the Transactions at the EGM.

An Independent Board Committee has been formed to advise and provide recommendations to the independent Shareholders in respect of the Agreement and the Transactions.

BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in connection with the Agreement and the Transactions.

A circular containing, among others, (i) further details of the Agreement and the Transactions; (ii) the recommendation from the Independent Board Committee to the independent Shareholders in relation to the Agreement and the Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders and in accordance with the Listing Rules on or before 15 March 2019.

Closing is conditional upon satisfaction of the Condition Precedent and the Triggering Conditions set out in the Agreement. Accordingly, the Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 22 February 2019 (after trading hours), Tianda Pharmaceuticals (Hong Kong) and Tianda Group entered into the Agreement, pursuant to which, among other things, Tianda Group grants a conditional disposal right to Tianda Pharmaceuticals (Hong Kong). Pursuant to the Disposal Right, upon fulfilment of all of the Triggering Conditions, Tianda Pharmaceuticals (Hong Kong) shall inform Tianda Group to acquire, either by Tianda Group itself or through its wholly-owned subsidiary, and Tianda Group shall acquire the Target Shares from Tianda Pharmaceuticals (Hong Kong) at a consideration of RMB125 million (equivalent to approximately HK\$145 million) plus the cash at bank of Zhuhai Target as at the Closing Date, which the Consideration shall not be more than RMB145 million (equivalent to approximately HK\$168.2 million) in any event.

THE AGREEMENT

The principal terms of the Agreement are summarized as follows:

Date

22 February 2019

Parties

- (a) Tianda Pharmaceuticals (Hong Kong);
- (b) Tianda Group

Disposal Right

Pursuant to the Agreement, Tianda Group has granted the Disposal Right to Tianda Pharmaceuticals (Hong Kong) at nil consideration, pursuant to which Tianda Pharmaceuticals (Hong Kong) shall, upon fulfilment of all of the Triggering Conditions during the Relevant Period, request Tianda Group to acquire, either by Tianda Group itself or through its wholly-owned subsidiary, the Target Shares (in whole and not in part).

Relevant Period

The Disposal Right shall be exercisable by Tianda Pharmaceuticals (Hong Kong) from the date when the Condition Precedent is fulfilled to 31 March 2022, unless otherwise agreed by the Parties in writing.

Assets to be disposed of

As at the date of this announcement, Tianda Pharmaceuticals (Hong Kong) directly holds 100% equity interest in Zhuhai Target and Zhuhai Target owns the Target Property.

Tianda Pharmaceuticals (Hong Kong) may, at its sole discretion, undergo the Reorganization to hold 100% equity interest in Zhuhai Target indirectly through BVI Target. If the Reorganization proceeds, Tianda Pharmaceuticals (Hong Kong) will dispose of its 100% equity interest in BVI Target to Tianda Group upon exercise of the Disposal Right. If the Reorganization does not proceed, Tianda Pharmaceuticals (Hong Kong) will dispose of its 100% equity interest in Zhuhai Target to Tianda Group.

Upon Closing, 100% equity interest of Zhuhai Target will be ultimately owned by Tianda Group, and the Company will cease to hold any equity interest in Zhuhai Target.

Consideration

The Consideration for the Target Shares shall be RMB125 million (equivalent to approximately HK\$145 million) plus the cash at bank of Zhuhai Target as at the Closing Date, which the Consideration shall not be more than RMB145 million (equivalent to approximately HK\$168.2 million) in any event. As at 31 December 2018, Zhuhai Target's cash at bank is approximately RMB6.37 million (equivalent to approximately HK\$7.39 million).

The Consideration was determined after arm's length negotiation between the Parties on normal commercial terms, with reference to the financial position of Zhuhai Target and the market value of the Target Property.

Condition Precedent

The Disposal Right is subject to full compliance with the Listing Rules by the Company in connection with the Agreement and the Transactions, including but not limited to announcement and independent Shareholders' approval requirements.

In the event that the Condition Precedent above cannot be fulfilled on or before the Long Stop Date, the Disposal Right shall automatically terminate with immediate effect.

Triggering Conditions

During the Relevant Period, Tianda Pharmaceuticals (Hong Kong) shall inform Tianda Group within seven Business Days upon fulfilment of the following Triggering Conditions to request for disposal of the Target Shares:

- (a) the Group reasonably believes that the construction of the New R&D and Production Base has been completed and the New R&D and Production Base is ready for relocation;
- (b) all necessary approvals and permits from the government authorities and consents from third parties (if any) required as a result of the transfer of the Target Shares in connection with the Target Property have been obtained as determined by Tianda Pharmaceuticals (Hong Kong), and all necessary procedures (if any) have been performed; and
- (c) the Group has removed its production lines from the Target Property.

Once Tianda Pharmaceuticals (Hong Kong) so informs Tianda Group, Tianda Group shall acquire or procure its wholly-owned subsidiary to acquire the Target Shares, and Tianda Pharmaceuticals (Hong Kong) shall sell the Target Shares to Tianda Group.

Closing

The Closing Date shall be at least five Business Days after the date when Tianda Pharmaceuticals (Hong Kong) informs Tianda Group to request for disposal of the Target Shares.

Tianda Group or its wholly-owned subsidiary shall pay the Consideration in RMB or HKD equivalent by wire transfer on the Closing Date.

Termination

The Disposal Right shall, among others, automatically terminate with immediate effect upon occurrence of:

- (a) the independent Shareholders do not approve the Agreement and the Transactions or the Condition Precedent cannot be fulfilled by the Long Stop Date; or
- (b) the Triggering Conditions cannot be fulfilled within the Relevant Period.

REASONS FOR THE TRANSACTIONS AND EXPECTED BENEFITS TO THE COMPANY

The Target Property has been utilized by the Group for R&D and production base in Zhuhai since 2012. According to the 2018 annual report of the Company, the Group proposes to relocate its R&D and production base in Zhuhai from the Target Property to the New R&D and Production Base in Jinwan District, Zhuhai, the PRC. The project is progressing in full swing. It is expected to be completed by the end of 2019 and will commence formal operation in mid-2020. The Group will no longer have any operation in the Target Property thereafter. In addition, the Disposal Right

under the Agreement provides the Group with the flexibility to sell the Target Property at an appropriate time when the Triggering Conditions are satisfied. Meanwhile, the sales proceeds from the Transactions will provide the Company with additional working capital. Therefore, the Agreement not only represents the best use of the Group's resources to dispose of the Target Property, but also provides the Group with certainty that it may dispose of such property at a consideration.

After deducting taxes and transaction costs, the total net cash proceeds from the Transactions will be approximately RMB117.4 million (equivalent to approximately HK\$136.2 million). The Group intends to use the above net proceeds as general working capital, to develop pharmaceutical products, to repay any possible financing for the construction of the New R&D and Production Base and to finance for potential mergers and acquisitions if such opportunities arise.

In view of the above, the Directors (other than (i) the members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser; and (ii) Mr. Fang Wen Quan and Mr. Lui Man Sang who have abstained from voting on the relevant Board resolutions in relation to the Agreement and the Transactions) are of the view that the terms of the Agreement and the Transactions are on normal commercial terms, which are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Upon Closing, 100% equity interest of Zhuhai Target will be ultimately owned by Tianda Group, and the Company will cease to hold any equity interest in Zhuhai Target.

The Group anticipates that the Transactions will realise a disposal gain of approximately RMB14.7 million (equivalent to approximately HK\$17.1 million), being the differences between the consideration plus Zhuhai Target's cash at bank of approximately RMB6.37 million (equivalent to approximately HK\$7.39 million) as at 31 December 2018 and (i) the unaudited net asset value of Zhuhai Target as at 31 December 2018 of RMB109.1 million (equivalent to approximately HK\$126.5 million) in the consolidated financial statements of the Group; and (ii) plus taxes and transaction costs of RMB7.6 million (equivalent to approximately HK\$8.8 million). It is expected that there will not be any material change in the unaudited net asset value of Zhuhai Target as at the Closing Date since Zhuhai Target does not have any business operations other than holding the Target Property.

Shareholders and potential investors should note that the above expectation is for illustrative purpose only. The actual accounting gain or loss in connection with the Transactions may be different from the above and will be determined based on the financial position of Zhuhai Target as at the Closing Date.

INFORMATION OF ZHUHAI TARGET AND TARGET PROPERTY

Zhuhai Target is a limited liability company incorporated in Zhuhai, the PRC and its principal business activity is property holding. As at the date of this announcement, Zhuhai Target owns the Target Property.

BVI Target is incorporated in the BVI with limited liability and its principal business activity is investment holding. If the Reorganization proceeds, the sole asset held by BVI Target will be the 100% equity interest in Zhuhai Target.

The unaudited accounts of Zhuhai Target were prepared under the Hong Kong Financial Reporting Standards. The net losses before and after taxation and extraordinary items of Zhuhai Target for the financial years ended 31 March 2017 and 31 March 2018 based on the unaudited accounts are as follows:

	For the year ended 31 March 2017	For the year ended 31 March 2018
Net loss before taxation and extraordinary items	RMB4.4 million (equivalent to approximately HK\$5.1 million)	RMB8.3 million (equivalent to approximately HK\$9.6 million)
Net loss after taxation and extraordinary items	RMB3.4 million (equivalent to approximately HK\$3.9 million)	RMB7.7 million (equivalent to approximately HK\$8.9 million)

The unaudited net asset value of Zhuhai Target as at 31 December 2018 in the consolidated financial statements of the Group is approximately RMB109.1 million (equivalent to approximately HK\$126.5 million), which is derived from total assets including carrying value of the Target Property of approximately RMB115.1 million (equivalent to approximately HK\$133.5 million) and cash at bank of approximately RMB6.4 million (equivalent to approximately HK\$7.4 million), minus total liabilities including other payables of approximately RMB0.04 million (equivalent to approximately HK\$0.05 million) and deferred tax liabilities of approximately RMB12.4 million (equivalent to approximately HK\$14.4 million).

The Target Property is situated at No. 82, Anlian Road, Qianshan, Zhuhai, the PRC with an aggregate site area of approximately 52,400 sq.m.

INFORMATION OF THE GROUP

The Company is an investment holding company listed on the Main Board of the Stock Exchange. With its headquarters based in Hong Kong, the Group is primarily engaged in the research and development, manufacture and sales of pharmaceutical, biotechnology and healthcare products and wholesale of Chinese herbal medicine, traditional Chinese medicine decoction pieces and Chinese medicines.

Tianda Pharmaceuticals (Hong Kong) is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in sales and distribution of pharmaceuticals products, healthcare products, traditional Chinese medicine decoction pieces and Chinese medicines.

INFORMATION OF TIANDA GROUP

Tianda Group is a company incorporated in Hong Kong and holds approximately 55.58% equity interest in the Company as at the date of this announcement. It is principally engaged in fast moving consumer goods, printing & packaging and creative media, resources and environment, property development and financial services businesses.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Tianda Group is the controlling shareholder of the Company. Accordingly, the Transactions also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

In light of the foregoing, the Transactions are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Mr. Fang Wen Quan, the Chairman of the Board and the Managing Director, has the entire equity interest in Tianda Group and Mr. Lui Man Sang was appointed as an executive Director by Tianda Group. Therefore, they are considered to have a material interest in the Agreement and the Transactions. Each of Mr. Fang Wen Quan and Mr. Lui Man Sang has not taken part in the voting at the Board meeting to approve the Agreement and the Transactions. Save as disclosed above, none of the Directors has any material interest in the aforesaid matter.

GENERAL

An EGM will be convened and held for the independent Shareholders to consider and, if thought fit, approve the Agreement and the Transactions. Tianda Group, Mr. Fang Wen Quan and their respective associates are required to abstain from voting in relation to the resolutions to approve the Agreement and the Transactions at the EGM.

An Independent Board Committee has been formed to advise and provide recommendations to the independent Shareholders in respect of the Agreement and the Transactions.

BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in connection with the Agreement and the Transactions.

A circular containing, among others, (i) further details of the Agreement and the Transactions; (ii) the recommendation from the Independent Board Committee to the independent Shareholders in relation to the Agreement and the Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders and in accordance with the Listing Rules on or before 15 March 2019.

Closing is conditional upon satisfaction of the Condition Precedent and the Triggering Conditions set out in the Agreement. Accordingly, the Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions have the following meanings:

“Agreement”	the conditional disposal right agreement dated 22 February 2019 entered into between Tianda Pharmaceuticals (Hong Kong) and Tianda Group in relation to, among other things, the Disposal Right;
“associate(s)”; “connected person(s)”; “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day on which commercial banks in Hong Kong and the PRC are open for general business (other than any Saturday and Sunday);
“BVI”	the British Virgin Islands;
“BVI Target”	Tianda Realty Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company as at the date of this announcement, which, if the Reorganization proceeds, will become a direct wholly-owned subsidiary of Tianda Pharmaceuticals (Hong Kong) upon Reorganization;
“Closing”	closing of the disposal of the Target Shares pursuant to the exercise of the Disposal Right in accordance with the terms and conditions of the Agreement;
“Closing Date”	the date on which the Closing takes place;

“Company”	Tianda Pharmaceuticals Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00455);
“Condition Precedent”	has the meaning as set out in the paragraph headed “The Agreement - Condition Precedent” in this announcement;
“Consideration”	the total consideration payable by Tianda Group (or its wholly-owned subsidiary) to Tianda Pharmaceuticals (Hong Kong) for the Target Shares pursuant to the exercise of the Disposal Right, details of which are set out in the paragraph headed “The Agreement - Consideration” in this announcement;
“Director(s)”	the director(s) of the Company;
“Disposal Right”	the right to sell the Target Shares by Tianda Pharmaceuticals (Hong Kong) to Tianda Group at the Consideration;
“EGM”	an extraordinary general meeting to be held by the Company for the independent Shareholders to consider and, if thought fit, approve the Agreement and the Transactions;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely, Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa;
“Independent Financial Adviser”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of laws of Hong Kong), which is appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in connection with the Agreement and the Transactions;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Stop Date”	31 May 2019 (or such other date as the Parties may agree in writing);
“New R&D and Production Base”	the new R&D and pharmaceutical production base in Jinwan District, Zhuhai, the PRC, which is under construction as at the date of this announcement;
“Party” or “Parties”	party(ies) to the Agreement;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Relevant Period”	has the meaning as set out in the paragraph headed “The Agreement - Relevant Period” in this announcement;
“Reorganization”	a possible reorganization to be conducted by Tianda Pharmaceuticals (Hong Kong), at its sole discretion, so as to hold 100% equity interest in Zhuhai Target via BVI Target;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Property”	the property owned by Zhuhai Target as at the date of this announcement, details of which are set out in the section headed “Information of Zhuhai Target and Target Property” in this announcement;
“Target Shares”	the entire equity interest in Zhuhai Target held by Tianda Pharmaceuticals (Hong Kong) (if the Reorganization does not proceed) or the entire equity interest in BVI Target held by Tianda Pharmaceuticals (Hong Kong) (if the Reorganization proceeds);
“Tianda Group”	Tianda Group Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;
“Tianda Pharmaceuticals (Hong Kong)”	Tianda Pharmaceuticals (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

“Triggering Conditions”	has the meaning as set out in the paragraph headed “The Agreement - Triggering Conditions” in this announcement;
“Transactions”	the transactions contemplated under the Agreement, including the grant of the Disposal Right by Tianda Group and the conditional mandatory exercise of the Disposal Right by Tianda Pharmaceuticals (Hong Kong), which in nature are the disposal of the Target Property by Tianda Pharmaceuticals (Hong Kong) to Tianda Group;
“Zhuhai Target”	Zhuhai Tianda Realty Ltd.* (珠海天大置業有限公司), a Taiwan, Hong Kong and Macau sole proprietorship owned enterprise established under the laws of the PRC with limited liability, which is directly owned as to 100% by Tianda Pharmaceuticals (Hong Kong) as at the date of this announcement; and
“%”	per cent.

* For identification purposes only

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated into HK\$ at the rate of HK\$1.16 = RMB1.00. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates or at all.

For and on behalf of the Board
Tianda Pharmaceuticals Limited
FANG Wen Quan
Chairman and Managing Director

Hong Kong, 22 February 2019

As at the date of this announcement, the executive Directors are Mr. FANG Wen Quan (Chairman and Managing Director) and Mr. LUI Man Sang; the non-executive Directors are Mr. SHEN Bo, Mr. FENG Quanming and Dr. LAM Lee G.; and the independent non-executive Directors are Mr. LAM Yat Fai, Mr. CHIU Sung Hong and Mr. CHIU Fan Wa.