
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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**(1) CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100%
EQUITY INTEREST OF A WHOLLY-OWNED SUBSIDIARY; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



BAOQIAO PARTNERS CAPITAL LIMITED

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on page 14 of this circular. A letter from BaoQiao Partners, the Independent Financial Adviser, containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Agreement and the Transactions is set out on pages 15 to 33 of this circular.

A notice convening the EGM to be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Tuesday, 7 May 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not prevent shareholders of the Company from attending and voting at the meeting if they so wish.

Hong Kong, 12 April 2019

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DEFINITIONS

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

“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;
“Announcement”	the announcement of the Company dated 22 February 2019 in relation to, among other things, the disposal of the Target Shares;
“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 Latest Practicable Date, 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 the letter from the Board of this circular;
“Consideration”	has the meaning as set out in the paragraph headed “The Agreement - Consideration and basis of determination”;
“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 at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Tuesday, 7 May 2019 by the Company for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the Transactions;

DEFINITIONS

“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” or “BaoQiao Partners”	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 has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the Transactions;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates;
“Independent Shareholders”	the Shareholders other than Tianda Group and Mr. Fang and any other Shareholder who is interested or involved in the Agreement;
“Latest Practicable Date”	10 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“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);
“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;
“Mr. Lui”	Mr. Lui Man Sang, an executive Director;
“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 Latest Practicable Date;
“Party(ies)”	party(ies) to the Agreement;
“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;

DEFINITIONS

“Relevant Period”	has the meaning as set out in the paragraph headed “The Agreement - Relevant Period” in the letter from the Board of this circular;
“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;
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong);
“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;
“TCM”	Traditional Chinese Medicine;
“Target Property”	the property owned by Zhuhai Target as at the Latest Practicable Date, details of which are set out in the section headed “Information of Zhuhai Target and Target Property” in the letter from the Board of this circular;
“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 as set out in the paragraph headed “The Agreement – Triggering Conditions” in the letter from the Board of this circular;
“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 is 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 law of the PRC with limited liability, which is directly owned as to 100% by Tianda Pharmaceuticals (Hong Kong) as at the Latest Practicable Date; and

DEFINITIONS

"%" per cent.

* For identification purposes only

In this circular, unless the context otherwise requires, any reference to the singular includes the plural and vice versa and any reference to a gender includes a reference to the other gender and the neuter.

Unless otherwise specified, for the purpose of this circular and for illustration purposes only, amounts denominated in HK\$ have been converted to RMB at the rate of HK\$1.16:RMB1.00, and vice versa. The Company does not make any representation that any amounts in RMB or HK\$ had been or may be converted at the date of this circular or any other date at such rate or any other rate.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

Directors:

Executive Directors:

Mr. Fang Wen Quan (Chairman and Managing Director)

Mr. Lui Man Sang

Non-executive Directors:

Mr. Shen Bo

Mr. Feng Quanming

Dr. Lam Lee G.

Independent Non-executive Directors

Mr. Lam Yat Fai

Mr. Chiu Sung Hong

Mr. Chiu Fan Wa

Registered Office

Cricket Square

Hutchins Drive

PO 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

12 April 2019

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100%
EQUITY INTEREST OF A WHOLLY-OWNED SUBSIDIARY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in respect of, among other things, the Agreement and the Transactions.

The purpose of this circular is to provide you with, among other things, (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 BaoQiao Partners to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, in order to enable you to make an informed decision on how to vote at the EGM.

LETTER FROM THE BOARD

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, without any discretion, 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.

Principal Terms of 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Tianda Pharmaceuticals (Hong Kong) has not proceeded with the Reorganization.

Consideration and basis of determination

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 (i) the financial position of Zhuhai Target, in particular the unaudited net asset value of Zhuhai Target as at 31 December 2018, being RMB109.1 million (equivalent to approximately HK\$126.5 million) (details of which have been set out in the section headed "Information of Zhuhai Target and Target Property" below); and (ii) the market value of the Target Property, being RMB125 million (equivalent to approximately HK\$145 million) (details of which have been set out in the property valuation report prepared by Vigers Appraisal and Consulting Limited in Appendix II to this circular).

After taking into account the market value of the Target Property, the adjusted unaudited net asset value of Zhuhai Target as at 31 December 2018 would be RMB119.0 million (equivalent to approximately HK\$138.04 million). The Consideration for the Target Shares (including its cash at bank as at 31 December 2018) would have a premium of RMB12.4 million (equivalent to approximately HK\$14.4 million) over such adjusted unaudited net asset value of Zhuhai Target.

In view of the above, the Board considers that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 the 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;

LETTER FROM THE BOARD

- (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.

The Triggering Conditions are not waivable by either parties.

Once Tianda Pharmaceuticals (Hong Kong) so informs Tianda Group, Tianda Group shall, without any discretion, 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.

As at the Latest Practicable Date, none of the Triggering Conditions has been fulfilled.

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 HK\$ 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 was built in 1999 and has been utilized by the Group for R&D and production base since 2012. The outdated design restricts the Group's expansion and cannot satisfy the Group's needs for future development. Furthermore, it is expected that the maintenance cost will gradually increase along with the aging of the Target Property.

The Group acquired a piece of land in Jinwan District, Zhuhai, with a total area of approximately 96,000 square metres for the construction of the New R&D and Production Base in 2015 and is now undergoing phase 1 of the construction work ("**Phase 1**"). The construction floor area of Phase 1 is approximately 52,000 square metres, which is about 20% larger than the approximately 44,000 square metres floor area of the Group's existing R&D and production base at the Target Property.

LETTER FROM THE BOARD

With larger space and state of the art design in the New R&D and Production Base, the Group can equip it with new production equipment and advanced quality control facilities which will benefit the Group's R&D of and increase the efficiency of the production of pharmaceutical products and TCM products. This will also lower the Group's production cost and increase its efficiency to catch up with its fast-increasing sales capability and to satisfy the sales and high market demand in the future, which in turn will accelerate the speed of achieving the mid to long-term target of the Group of further exploring and developing the domestic and foreign market. The New R&D and Production Base also reserves as an extra land bank of approximately 40,000 square metres for the Group's future expansion. As at the Latest Practicable Date, no concrete plan in relation to the extra land bank has been formed.

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 approximately RMB104 million (equivalent to approximately HK\$120.6 million) of the above net proceeds to repay any possible financing for the construction of the New R&D and Production Base, and the remaining amount of approximately RMB13.4 million (equivalent to approximately HK\$15.6 million) as general working capital, to develop pharmaceutical products and to finance for potential mergers and acquisitions if such opportunities arise. The breakdown of the above proposed use of proceeds is subject to change depending on the business development of the Group in the future.

As at the Latest Practicable Date, the Group did not have (i) any borrowings in relation to the construction of the New R&D and Production Base; nor (ii) any identified target for potential mergers and acquisitions. However, it is expected that the Group will obtain bank borrowings for the construction of the New R&D and Production Base and it is intended that the proceeds from the disposal will be used for the purposes of repaying such borrowings.

In view of the above, the Directors (other than Mr. Fang and Mr. Lui who have abstained from voting on the relevant Board resolutions due to their interests in the Agreement and the Transactions, details of which are disclosed in the paragraph below headed "Listing Rules implications") are of the view that despite the Transactions are not in the ordinary and usual course of business of the Group, 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.

LETTER FROM THE BOARD

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), which is calculated on the basis of the consideration of RMB125 million plus Zhuhai Target's cash at bank of approximately RMB6.37 million (equivalent to approximately HK\$7.39 million) as at 31 December 2018 after deduction of (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) the 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.

It is also anticipated that as a result of the Transactions, the unaudited total assets of the Group will increase by approximately HK\$4.5 million to approximately HK\$975.1 million while the unaudited total liabilities of the Group will decrease by approximately HK\$14.9 million to approximately HK\$148.4 million.

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 Latest Practicable Date, 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 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 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)

LETTER FROM THE BOARD

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, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC with a site area of approximately 52,400 square metres and a total gross floor area of approximately 44,180 square metres. The Target Property comprises an industrial complex for manufacturing use with ancillary facilities such as office, control rooms and staff canteen provided therein. The Target Property is held under granted land-use rights for industrial use to be expired on 28 September 2042. For details, please refer to the property valuation report in Appendix II to this circular.

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 Latest Practicable Date. Its ultimate beneficial owner is Mr. Fang who holds 100% of the entire issued capital of Tianda Group. 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.

LETTER FROM THE BOARD

Mr. Fang, the Chairman of the Board and the Managing Director, has the entire equity interest in Tianda Group and Mr. Lui 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 and Mr. Lui 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 Agreement and the Transactions and no other Director has abstained from voting on the relevant board resolutions of the Company.

Tianda Group is a party to the Agreement and it is legally and beneficially wholly owned by Mr. Fang. Tianda Group, Mr. Fang and their respective close associates, holding 1,194,971,370 Shares, representing approximately 55.58% of the issued share capital of the Company as at the Latest Practicable Date, are therefore regarded as having a material interest in the Agreement and the Transactions and shall abstain from voting on the relevant resolutions approving the same at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its close associates has a material interest in the Agreement and the Transactions, and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

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.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Yat Fai, Mr. Chiu Sung Hong and Mr. Chiu Fan Wa, has been established to advise and provide recommendations to the Independent Shareholders on whether the terms of the Agreement and the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and will advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Agreement and the Transactions after taking into account the recommendation of the Independent Financial Adviser. BaoQiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Tuesday, 7 May 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not prevent shareholders of the Company from attending and voting at the meeting if they so wish.

LETTER FROM THE BOARD

The resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

RECOMMENDATIONS

You are advised to read carefully the letter from the Independent Board Committee on page 14 of this circular. The Independent Board Committee, having taken into account the advice from BaoQiao Partners, the text of which is set out on pages 15 to 33 of this circular, consider that the terms and conditions of the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreement and the Transactions.

The Board (excluding Mr. Fang and Mr. Lui who have abstained from voting on the relevant Board resolutions due to their interests in the Agreement and the Transactions, details of which are disclosed in the paragraph headed "Listing Rules implications") considers that despite the Transactions are not in the ordinary and usual course of business of the Group, the terms and conditions of the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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 the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Agreement and the Transactions.



12 April 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST OF A WHOLLY-OWNED SUBSIDIARY

We refer to the circular of the Company dated 12 April 2019 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders (i) as to whether the terms and conditions of the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote on the Agreement and the Transactions.

We wish to draw your attention to (i) the letter of advice from BaoQiao Partners, the details of which (including the principal factors and reasons the Independent Financial Adviser has taken into consideration) are set out on pages 15 to 33 of the Circular; and (ii) the letter from the Board as set out on pages 5 to 13 of the Circular.

Having considered the terms of the Agreement and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that despite the Transactions are not in the ordinary and usual course of business of the Group, the terms and conditions of the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We consider the entering into of the Agreement is in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the Transactions at the EGM.

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

Mr. CHIU Fan Wa
Independent non-executive Director

LETTER FROM BAOQIAO PARTNERS

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Transactions, which has been prepared for the purpose of inclusion in this circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 601, 6/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

12 April 2019

*To the Independent Board Committee and the Independent Shareholders of
Tianda Pharmaceuticals Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Transactions, details of which are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 12 April 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

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, without any discretion, 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.

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

LETTER FROM BAOQIAO PARTNERS

Tianda Group is the controlling shareholder of the Company holding 1,194,971,370 Shares, representing approximately 55.58% of the issued share capital of the Company as at the Latest Practicable Date. 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, the Chairman of the Board and the Managing Director, owns the entire equity interest in Tianda Group and Mr. Lui 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 and Mr. Lui 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.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolution(s). As Tianda Group, Mr. Fang and their respective associates have material interests in the transactions contemplated under the Agreement, they are required to abstain from voting on the proposed resolution(s) relating to the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Yat Fai, Mr. Chiu Sung Hong and Mr. Chiu Fan Wa, has been formed to advise and provide recommendations to the Independent Shareholders (i) as to whether the terms and conditions of the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote on the Agreement and the Transactions. We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Company and its respective subsidiaries and associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Agreement and Transactions, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as defined under Rules 13.84 of the Listing Rules.

LETTER FROM BAOQIAO PARTNERS

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement and the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as up to the date of the Circular. We have also assumed that all statements of belief, opinions, expectations, representations and intentions made by the Directors and the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Group and the Transactions in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Agreement and the Transactions. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Agreement and the Transactions, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM BAOQIAO PARTNERS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Agreement and the Transactions, we have considered the following principal factors and reasons:

1. Information of the Group

1.1 Background of the Group

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.

1.2 Financial information of the Group

Set out below is the audited financial information of the Group for each of the year ended 31 March 2016, 2017 and 2018 (“FY2016”, “FY2017” and “FY2018” respectively) extracted from the Company’s annual reports for the years ended 31 March 2017 and 2018 (each “2017 Annual Report” and “2018 Annual Report”), and the unaudited financial information of the Group for the six months ended 30 September 2017 and 2018 (“1H2017” and “1H2018” respectively) extracted from the Company’s interim report for the six months ended 30 September 2018 (the “2018 Interim Report”):

	1H2018	1H2017	FY2018	FY2017	FY2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	265,922	126,498	361,555	195,539	192,785
Profit for the year/period	9,760	9,843	22,162	24,753	13,367
	As at 30 September		As at 31 March		
	2018		2018	2017	2016
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>		<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	970,628		1,045,308	904,120	956,169
Total liabilities	163,301		159,723	91,156	109,435
Net assets	807,327		885,585	812,964	846,734

LETTER FROM BAOQIAO PARTNERS

Financial Performance of the Group

1H2018 vs 1H2017

As disclosed in the 2018 Interim Report, the Group's revenue increased by approximately 110.2% from approximately HK\$126.5 million for 1H2017 to approximately HK\$265.9 million for 1H2018 and the Group reported a slight decrease in net profit of approximately HK\$9.76 million for 1H2018 as compared to approximately HK\$9.84 million for 1H2017.

As disclosed in the 2018 Annual Report and 2018 Interim Report, the Group has adjusted its sales model in response to the full implementation of the Two-Invoice System (“**Two-Invoice System**”), a policy designed to streamline the pharmaceutical distribution channels issued by the Chinese government authorities in early 2017, which resulted in an increase in both selling price of products and the corresponding agency fee, leading to an increase in sales revenue of approximately 110.2% for 1H2018 as well as the selling and distribution expenses, which at approximately 66.9% of sales for 1H2018 as compared to approximately 39.3% of sales for 1H2017.

The Group's gross profit margin improved from approximately 68.3% for 1H2017 to approximately 81.3% for 1H2018, which was in line with the sales increase as well as the continuing improvement in cost control of the Group.

FY2018 vs FY2017

The Group's revenue increased by approximately 84.9% from approximately HK\$195.5 million for FY2017 to approximately HK\$361.6 million for FY2018. As disclosed in 2018 Annual Report, the increase in revenue was mainly due to the increase in selling price during FY2018 in response to the changes in policy brought by the Chinese government's gradual implementation of the Two-Invoice System for drug sales as well as improved sales performance by vigorously developing the third terminal sales channel to increase its customer base. In addition, the Group's major products, the pediatric series, are successfully available for online procurement in most of the provinces and cities in China. The Group also won bids for providing another two major products, Cerebroprotein Hydrolysate Injection and Aceglutamide Injection, and maintained high bid prices. The Group's gross profit margin improved from approximately 61.4% for FY2017 to approximately 74.8% for FY2018, which was in line with the sales increase as well as the effective cost control measures implemented by the Group in the past few years. The Group reported net profit of approximately HK\$22.2 million for FY2018, slightly decreased from that of HK\$24.8 million for FY2017, mainly due to significant increase in selling and distribution expenses from approximately HK\$49.4 million for FY2017 to approximately HK\$197.2 million for FY2018. The increase in selling and distribution expenses was mainly attributable to the agency fee of approximately HK\$112.7 million recorded by one of the Group's principal subsidiary for the change in sales model in response to the Chinese government's implementation of the Two-Invoice System as well as increasing selling and distribution expenses on the Group's sales team building and extensive market expansion.

LETTER FROM BAOQIAO PARTNERS

FY2017 vs FY2016

The Group's revenue remained steady at approximately HK\$195.5 million and HK\$192.8 million for FY2017 and FY2016 respectively. Effective cost control measures implemented by the Group in the last few years resulted in improving gross profit margin from approximately 57.4% for FY2016 to approximately 61.4% FY2017 as well as decreasing selling and distribution expenses from approximately HK\$51.1 million for FY2016 to approximately HK\$49.4 million for FY2017. The overall improvement enhanced the profitability of the Group, resulting in an increase of net profit from approximately HK\$13.4 million for FY2016 to approximately HK\$24.8 million for FY2017.

Financial Position of the Group

As at 30 September 2018, the Group reported total assets of approximately HK\$970.6 million, which mainly comprised cash and cash equivalents of approximately HK\$460.7 million, property, plant and equipment of approximately HK\$137.0 million, prepaid land lease payments of approximately HK\$101.0 million and goodwill of approximately HK\$104.0 million. Total liabilities of approximately HK\$163.3 million mainly comprised trade and other payables and accruals of HK\$129.7 million. As at 30 September 2018, the net assets of the Group were approximately HK\$807.3 million and the Group has no bank borrowings.

2. Information of Tianda Group

Tianda Group is a company incorporated in Hong Kong and holds approximately 55.58% shareholding interest in the Company as at the Latest Practicable Date. Its ultimate beneficial owner is Mr. Fang, who holds 100% of the entire issued share capital of Tianda Group. Tianda Group and its subsidiaries are principally engaged in fast moving consumer goods, printing & packaging and creative media, resources and environment, property development and financial services businesses.

3. Information of Tianda Pharmaceuticals (Hong Kong) and BVI Target

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. As at the Latest Practicable Date, Tianda Pharmaceuticals (Hong Kong) directly holds 100% of the equity interest in Zhuhai Target, which in turn owns the Target Property.

BVI Target is incorporated in the BVI with limited liability and its principal business activity is investment holding.

Pursuant to the Agreement, Tianda Pharmaceuticals (Hong Kong) may, at its sole discretion, undergo the Reorganization to hold 100% equity interest in Zhuhai Target indirectly through BVI Target. Details of the Reorganization are set out in section headed "The Reorganisation" in this letter. As disclosed in the "Letter from the Board" contained in the Circular, as at the Latest Practicable Date, Tianda Pharmaceuticals (Hong Kong) has not proceeded with the Reorganization.

LETTER FROM BAOQIAO PARTNERS

4. Information of the Zhuhai Target and Target Property

4.1 Background of the Zhuhai Target and the 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 Latest Practicable Date, other than holding the Target Property, Zhuhai Target has no (i) other business operations as well as (ii) material assets and liabilities.

The Target Property is situated at No. 82, Anlian Road, Qianshan, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC with a site area of approximately 52,400 square metres and a total gross floor area of approximately 44,180 square metres. The Target Property comprises an industrial complex for manufacturing use and it has been utilized by the Group for pharmaceutical research and development (“R&D”) and production base in Zhuhai, the PRC since 2012.

4.2 Financial Information of the Zhuhai Target and the Target Property

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 management accounts (the “Unaudited Accounts”) are as follows:

	For the year ended 31 March 2017 (unaudited)	For the year ended 31 March 2018 (unaudited)
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)

Based on the Unaudited Accounts, the losses for the years ended 31 March 2017 and 31 March 2018 were mainly arising from depreciation of the Target Property and PRC property tax. 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).

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As disclosed in the property valuation report of the Target Property (the “**Property Valuation Report**”) set out in Appendix II to the Circular, the appraised capital value of the Target Property as at 28 February 2019 was RMB125.0 million (equivalent to approximately HK\$145.0 million), representing an increase of RMB9.9 million (equivalent to approximately HK\$11.5 million) from the book value of approximately RMB115.1 million (equivalent to approximately HK\$133.5 million) as at 31 December 2018.

5. Information on the New R&D and Production Base

According to the 2018 Annual Report, the Group proposes to relocate its R&D and production base in Zhuhai from the Target Property (the “**Existing Zhuhai Production Base**”) to the new R&D and production base (the “**New R&D and Production Base**”) in Jinwan District, Zhuhai City, Guangdong Province, the PRC (the “**Relocation**”). A land parcel in Sanzao Medicine Park in Jinwan District, Zhuhai City was purchased in late 2015 with land area of 96,232.40 square metres. The Relocation is in accordance with the Group’s five-year R&D plan to evolve the Company from a pharmaceutical manufacturer of generic drugs to a comprehensive medic-pharmaceuticals enterprise as disclosed in the 2018 Annual Report. The project was planned to be constructed in two phases and is currently progressing in full swing. The first phase covers the construction of ancillary facilities for various existing pharmaceutical products of Tianda Pharmaceuticals (Zhuhai) and newly-developed traditional Chinese medicine (“**TCM**”) decoction pieces and TCM preparation operations and ancillary facilities required for R&D. The first phase with site area and gross floor area of approximately 52,100.3 square metres is expected to be completed by the end of 2019 and will commence formal operation in mid-2020.

6. The Agreement

The principal terms and conditions of the Agreement are summarised below. Please refer to the “Letter from the Board” set out in the Circular for further details.

6.1 The subject, the Reorganization, Triggering Conditions and Conditions Precedent

The Agreement dated 22 February 2019 involves, the Disposal Right granted by Tianda Group 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 (i.e. the date when the Condition Precedent is fulfilled to 31 March 2022, unless otherwise agreed by the Parties in writing), 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), representing 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).

The Reorganization

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.

LETTER FROM BAOQIAO PARTNERS

Condition Precedent

Completion of the Agreement is conditional upon full compliance with the Listing Rules by the Company in connection with the Agreement and the Transactions, including but not limited to announcement and the Independent Shareholders' approval requirements.

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.

As disclosed in the "Letter from the Board" contained in the Circular, the above Triggering Conditions are not waivable by either parties of the Agreement.

Once Tianda Pharmaceuticals (Hong Kong) so informs Tianda Group, Tianda Group shall, without any discretion, 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.

As disclosed in the "Letter from the Board" contained in the Circular, as at the Latest Practicable Date, Tianda Pharmaceuticals (Hong Kong) has not proceeded with the Reorganization and none of the Triggering Conditions has been fulfilled.

LETTER FROM BAOQIAO PARTNERS

6.2 Reasons for the Transactions and expected benefits to the Company

With reference to the “Letter from the Board” in the Circular, we understand that the Group will relocate the R&D facilities together with the production lines from the Target Property to the New R&D and Production Base and will no longer have any operation in the Target Property thereafter.

(i) Enabling expansion of the scale of the pharmaceutical business and greater efficiencies in implementing the strategy of the Group’s five-year development plan

Having discussed with the Management regarding the Relocation and with reference to the information of the New R&D and Production Base set out in section headed “Information on the New R&D and Production Base” in this letter, we noted that the Relocation (together with the disposal of the Target Property) is part of the on-going strategic development of the Group to evolve the Company from a pharmaceutical manufacturer of generic drugs to a comprehensive medic-pharmaceuticals enterprise as disclosed in the 2018 Annual Report.

As disclosed in the Letter from the Board contained in the Circular, the Target Property was built in 1999 and has been utilized by the Group for R&D and production base since 2012. The outdated design restricts the Group’s expansion and the aging of the Target Property cannot satisfy the Group’s needs for future development. The New R&D and Production Base almost doubles the size of the Target Property and is equipped with new production equipment and advanced quality control facilities, which will benefit the Group’s R&D and increase the efficiency of the production of pharmaceutical products and TCM products to catch up with the Group’s increasing sales capability and to satisfy the sales and high market demand in the future, and in turn will accelerate the speed of achieving the mid to long-term target of the Group of further exploring and developing the domestic and foreign market.

In particular, the New R&D and Production Base is the strategic base for the implementation and operation of the Group’s five-year development plan with focus on research and development in drugs (especially the fast growing TCM products), brand and market development as well as increasing productivity. In addition to the construction of facilities to replace and enhance the R&D and production capacities in its Existing Zhuhai Production Base, the first phase of the New R&D and Production Base will cover a newly-developed TCM decoction pieces and TCM preparation operations and ancillary facilities, making the gross floor area for R&D function reaching of 3,921 sq. meters (triple the size of existing 1,300 sq. meters for R&D function in the Target Property) in order to accommodate the expanding scale of TCM operations with a view to grasp the opportunities arising from the national policy of supporting the development of TCM and steadily develop the fully-integrated TCM industry value chain under the Group’s five-year development plan.

As disclosed in 2018 Interim Report, the Group obtained the Good Manufacturing Practice for Pharmaceutical Products Certification (GMP certification) and became an enterprise engaging in manufacturing and sales of TCM decoction pieces through the acquisition of Tianda Chinese Medicine (China) Limited on 4 December 2017 and Zhuhai Tianda Processed Chinese Herbal Medicine Ltd. on 31 July 2018. In addition, as discussed with the Management, the Group has been pushing ahead in its Existing Zhuhai Production Base with various R&D works for TCM, including food products, healthcare products and drug series that feature dried tangerine peel (a Chinese herb in Guangdong

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Province) and healthcare products series based on ZhiKang Granules as well as products such as soup packages, tea bags, medicinal liquors, TCM paste and herbal tea products to cope with the development of TDMall, an TCM medical chain center business of the Group which is expected to commence in 2019.

The New R&D and Production Base also reserves as an extra land bank of approximately 40,000 square metres for the Group's future expansion of additional production and warehousing facilities based on the Group's master plan of the New R&D and Production Base. As at the Latest Practicable Date, no concrete development plan in relation to the extra land bank has been formed.

Based on the above, we concur with the Management's view that the New R&D and Production Base, which is equipped with advanced R&D and production facilities, will enable greater efficiencies in implementing the strategy of the Group's five-year development plan, which in turn will accelerate the Group's ongoing development in the pharmaceutical business.

We have also conducted research through public domains for the recent statistics of the healthcare and pharmaceutical industry in the PRC. The healthcare industry in the PRC has been experiencing a significant and rapid growth over the recent years. Based on the statistics published by National Health Commission of the PRC (“NHC”), from 2015 to 2017, the national total healthcare expenditure increased from RMB4.1 trillion to RMB5.2 trillion, and the healthcare expenditure per capita increased from RMB2,980.8 to RMB3,712.2. Meanwhile, according to the Development Planning Guide for the Pharmaceutical Industry* (《医药工业发展规划指南》) (the “Guide”) jointly issued on 7 November 2016 by six PRC national ministries, including Ministry of Industry and Information Technology and NHC (formerly known as National Health and Family Planning Commission), it stated that the thirteenth five year period (2016-2020) is the key period for the soar of the pharmaceutical industry and it set out the target that until 2020 the principal sales revenue of the pharmaceutical industry shall maintain medium-to-high growth and the average annual growth rate shall be higher than 10%. Based on the statistic published by National Bureau of Statistics of the PRC, the principal revenue of pharmaceutical manufacturing enterprises above designated size (with principal revenue over RMB20 million) increased from approximately RMB2,553.7 billion for 2015 to approximately RMB2,818.6 billion for 2017, among which the principal revenue from TCM decoction pieces increased from approximately RMB170.0 billion for 2015 to approximately RMB216.5 billion for 2017.

Having considered the above factors, we are of the view that there is a positive growth trend of the pharmaceutical industry and the New R&D and Production Base, the Relocation (together with the disposal of the Target Property) is part of the blueprint for expansion in the growing pharmaceutical industry, including TCM in the PRC.

* For identification purposes only

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(ii) No use of the Target Property for the Group's own operations after the Relocation

Based on our discussion with the Management, the Group currently has two production bases in Zhuhai (i.e. the Existing Zhuhai Production Base) and Yunnan respectively, each contributed approximately 44% and 54% to the Group's overall revenue for FY2018. It is expected that the New R&D and Production Base will replace the Existing Zhuhai Production Base as the key facilities for the development and manufacturing of pharmaceutical products and newly developed TCM decoction pieces. As part of the Relocation plan, the Company will gradually relocate all the R&D facilities together with the production lines from the Target Property to the New R&D and Production Base upon completion of the first phase of the New R&D and Production Base, which is expected to be completed by the end of 2019 and the Target Property will be vacated after the Relocation.

In addition, the Management noted that on 3 May 2017, the People's Government of Xiangzhou District of Zhuhai City issued a notice regarding the advices on acceleration and promotion of upgrading and reforming of the old industrial areas in Xiangzhou District (the "Notice"). Based on the legal opinion obtained from the PRC legal advisers of the Company regarding the Notice, the Notice encourages the redevelopment of the old industrial areas in Xiangzhou District by the landlords on a voluntary basis, but it restricts any change of land use from industrial to commercial or residential use. Having discussed with the Management, we understand that the Group currently has no intention to apply for the redevelopment of the Target Property under the Notice. Other than the Notice, there is no directional change of the land use planning under the current government policies for the land use rights of the Target Property.

In view of the above, the Management currently foreseeing no use of the Target Property for the Group's own operations or for any other income generating activities for the Group after the Relocation and the Agreement represents the best use of the Group's resources to dispose of the Target Property with guaranteed realisation of value of the Target Property at an appropriate time.

(iii) Full control of the Target Property during Relocation

The Disposal Right under the Agreement was granted by Tianda Group 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 the Target Shares (in whole and not in part). As discussed with the Management, we note that the Triggering Conditions were agreed by the parties with a view to ensure smooth transition of the Relocation and that the New R&D and Production Base is ready for full operation before the disposal of the Target Shares. As such, in view of the importance to ensure the smooth transition from the existing Zhuhai Production Base, which contributed approximately 44% of the revenue of the Group for FY2018, to the New R&D and Production Base, we concur with the Directors' view that the Disposal Right under the Agreement provides the Group with (i) full control of the Target Property to ensure the Relocation will proceed in accordance with the Company's plan and timeline; and (ii) the flexibility to sell the Target Property when the Group exercises the Disposal Right after the Triggering Conditions are satisfied and the disposal of the Target Property will not cause any significant impact to the business of the Group.

LETTER FROM BAOQIAO PARTNERS

(iv) Better allocation of resources with certainty of future cash inflow from the disposal of the potential inactive assets

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). We note in the “Letter from the Board” in the Circular that the Group intends to use approximately RMB104 million (equivalent to approximately HK\$120.6 million) of the above net proceeds to repay any possible financing for the construction of the New R&D and Production Base, and the remaining amount of approximately RMB13.4 million (equivalent to approximately HK\$15.6 million) as general working capital, to develop pharmaceutical products, and to finance for potential mergers and acquisitions if such opportunities arise. As disclosed in the Letter from the Board in the Circular, as at the Latest Practicable Date, although the Group did not have any borrowings in relation to the construction of the New R&D and Production Base, the Management expected that the Group will obtain bank borrowings for the construction of the New R&D and Production Base. As advised by the Management, the remaining total construction cost for the New R&D and Production Base is approximately RMB300 million as at the Latest Practicable Date. As such, we are of the view that the Group’s intended use of proceeds are reasonable. We believe the Transactions, which provides the Group with certainty that it may dispose of such property at an appropriate time at a consideration, will allow the Management to allocate the Group’s resources efficiently and timely towards the development, operations and management of the Group’s business.

Having considered (i) the Transactions are in line with the Group’s current business strategy; (ii) the Disposal Right is granted by Tianda Group at nil consideration and provides the Group’s with control of the Target Property to ensure the Relocation will proceed in accordance with the Company’s plan and timeline as well as flexibility to sell the Target Property with guaranteed realisation of value at an appropriate time; (iii) the Transactions are expected to generate a disposal gain (subject to the financial position of Zhuhai Target as at the Closing Date and please refer to the section headed “Possible Financial Effects” in this letter for further details) to the Group; (iv) the net proceeds from the Transactions (i.e. certainty of future cash inflow from the disposal of the potential inactive assets) can provide the Company with additional working capital and allow the Management to allocate the Group’s resources efficiently and timely towards the Group’s future development; and (v) the Consideration is fair and reasonable as analysed below, we are of the view that even though the entering into of the Agreement is not in the ordinary and usual course of the business of the Group, the Agreement and the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM BAOQIAO PARTNERS

6.3 Consideration

Pursuant to the Agreement, the Consideration for the Target Shares shall be RMB125.0 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).

Tianda Group or its wholly-owned subsidiary shall pay the Consideration in cash denominated in RMB or HK\$ equivalent by wire transfer on the Closing Date.

Basis of determining the Consideration

As disclosed in the "Letter from the Board" contained in the Circular, the Consideration was arrived after arm's length negotiation between the Parties on normal commercial terms, with reference to (i) the financial position of Zhuhai Target and (ii) the market value of the Target Property.

In assessing the fairness and reasonableness of the Consideration, we have discussed with the Management and reviewed the basis of determining the consideration contemplated under the Agreement.

Financial position of Zhuhai Target

As disclosed in the section headed "Information of Zhuhai Target and the Target Property" in this letter, (i) the unaudited net assets value of Zhuhai Target as at 31 December 2018 was approximately RMB109.1 million (equivalent to approximately HK\$126.5 million); (ii) other than holding the Target Property (with book value of RMB115.1 million (equivalent to approximately HK\$133.5 million) as at 31 December 2018), Zhuhai Target has no other business operations as well as material assets and liabilities; and (iii) Zhuhai Target incurred net losses after taxation and extraordinary items of RMB3.4 million (equivalent to approximately HK\$3.9 million) and RMB7.7 million (equivalent to approximately HK\$8.9 million) for the year ended 31 March 2017 and 31 March 2018 respectively, arising mainly from depreciation of the Target Property and the PRC property tax.

In view of the above, the Management expected that there will not be any material change in the unaudited net asset value of Zhuhai Target as at the Closing Date.

Based on our discussion with the Management and in consideration of the financial position of Zhuhai Target above, we noted that the Consideration was determined based on the market value of the Target Property (which have incorporated the fair value of the Target Property with reference to the Property Valuation Report in Appendix II to the Circular) and the cash and cash equivalents of Zhuhai Target as at the Closing Date on a dollar-for-dollars basis.

LETTER FROM BAOQIAO PARTNERS

As further discussed in the section headed “Market valuation of the Target Property” in this letter, if taking into account the fair value of the Target Property of RMB125 million (equivalent to approximately HK\$145 million) with reference to the Property Valuation Report in Appendix II to the Circular, the adjusted unaudited net assets value of the Target Group (“**Adjusted NAV**”) as at 31 December 2018 would be:-

Adjusted NAV

	Valuation of the Target Property as at 28 February 2019 based on the Property Valuation Report	RMB125.0 million (equivalent to approximately HK\$145.0 million)
Less:	Carrying value of the Target Property as at 31 December 2018	RMB115.1 million (equivalent to approximately HK\$133.5 million)
	Valuation surplus of the Target Property	RMB9.9 million (equivalent to approximately HK\$11.5 million)
Add:	Net assets value of the Target Group	RMB109.1 million (equivalent to approximately HK\$126.5 million)
	Adjusted NAV	RMB119.0 million (equivalent to approximately HK\$138.0 million)

Based on the above calculation, the Consideration of RMB125 million (equivalent to approximately HK\$145 million) or if including the cash at bank of Zhuhai Target of approximately RMB6.4 million (equivalent to approximately HK\$7.4 million) as at 31 December 2018 of RMB131.4 million (equivalent to approximately HK\$152.4 million), represents a premium of approximately 5% or 10% over the Adjusted NAV respectively.

Market valuation of the Target Property

Vigers Appraisal and Consulting Limited (the “**Valuer**”), a professional independent valuer, has been engaged by the Company to assess the fair value of the Target Property. The details of the Property Valuation Report regarding the Target Property are set out in Appendix II in the Circular. According to the Property Valuation Report, the market value of the Target Property as at 28 February 2019 was RMB125.0 million (equivalent to approximately HK\$145 million) using the cost approach.

LETTER FROM BAOQIAO PARTNERS

(i) *Qualification and experience of the Valuer*

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the Valuer. Based on our review on the qualification and experience of the Valuer, we noted that the Valuer is an established valuation firm with extensive experience in undertaking appraisals and property valuations and we understand from our enquiry with the Valuer that it is a third party independent of the Company and Tianda Group. We also noted from the Property Valuation Report that the responsible staff of the Valuer signing the Property Valuation Report is a “Registered Professional Surveyor in General Practice Division” under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the Royal Institution of Chartered Surveyors (“RICS”) with over 18 years’ valuation experience on properties in various regions including the PRC. Based on the information provided by the Valuer, we noted that the responsible staff has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by the Hong Kong Institute of Surveyors and “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises.

In addition, we have reviewed the terms of the engagement of the Valuer by the Company and we noted that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Target Property.

(ii) *Valuation basis, methodology and assumptions*

We have reviewed the Property Valuation Report and discussed with the Valuer regarding the methodology of and the principal basis and assumptions adopted for the valuation of the Target Property. Details of the valuation assumptions adopted by the Valuer are set out in the section headed “Property Valuation Report of the Target Property” in Appendix II to the Circular. Based on our review of the legal opinion of the Target Property and the relevant title documents of the Target Property as well as the corporate documents of Zhuhai Target, we are of the view that the valuation assumptions are fair and reasonable.

As disclosed in the Property Valuation Report, we noted that the Valuer has adopted the cost approach which “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility” as the principal methodology in arriving at the market value of the Target Property due to lack of sufficient comparison. Based on our interview with the Valuer, we understand that the Valuer has also considered the other two generally accepted valuation approaches, namely the market approach and the income approach. We understand from the Valuer that (a) the adoption of the market approach is not appropriate based on the fact that the transactions of industrial property with similar characteristics are limited on market and thus lack of sufficient comparables for comparison; and (b) the adoption of the income approach is not appropriate as the Target Property is held by the Group for industrial use and its own-occupation purpose and the Directors currently foresee no use of the Target Property for other income generating activities after the Relocation.

LETTER FROM BAOQIAO PARTNERS

Based on the Property Valuation Report, the valuation of the Target Property was arrived based on “depreciated replacement cost” (“**DRC**”) which is “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. In terms of the DRC of the land use rights of the Target Property, the Valuer has made reference to the recent comparable land transactions in Zhuhai in terms of usage, proximity and date. We have reviewed the comparable land transactions used by the Valuer and noted that (i) the comparable lands are of industrial use and located in Zhuhai; (ii) the comparable land transactions were within 1.5 years before the date of the Agreement; and (iii) the unit land cost used by the Valuer in calculation is within the range of the comparable land transactions.

For the DRC of the building portion of the Target Property, the Valuer has made reference to an independent quantity surveyor’s report (the “**QS Report**”) prepared by C. Y. Hon Consultants Ltd. (the “**QS Consultant**”) regarding the current replacement cost with modern equivalent of the Target Property. We have also conducted our due diligence review on the qualification and experience of the QS Consultant, we noted that the responsible personnel for the QS Report of the QS Consultant is a fellow member of quantity surveyor division of the Hong Kong Institute of Surveyors (“**HKIS**”), a chartered quantity surveyor of RICS and a registered professional surveyor of quantity surveyor division of Surveyors Registration Board of Hong Kong. The QS Consultant has also confirmed to us that it is independent from the Company and Tianda Group. Based on our enquiries to the QS Consultant, the cost estimation of the Target Property made by the QS Consultant was based on gross floor area (GFA) of the Target Property multiplied by the unit cost/square metres for such development, which is arrived after sourcing the recent cost data in Zhuhai or cities nearby from the recent published information of three service providers providing construction cost consulting, and related property and construction advisory service (“**Consultancy Firms**”) and marking appropriate adjustments to suit the particular project. Based on our independent research on the background of the Consultancy Firms, we noted that these companies are internationally recognised Consultancy Firms in providing construction cost consulting and their publications are commonly used as the market reference for global construction costs. As discussed with the Valuer, we understand that the Valuer has also conducted a market research on the unit cost of the recent construction costs in Zhuhai or other cities nearby and the Valuer noted that the unit cost used by the QS Consultant is within the range of the Valuer’s research results. Based on the above, it is considered the QS Report are adequate, appropriate and relevant for providing a fair and reasonable basis for the Valuer’s opinion.

The Valuer confirmed that the Valuation is complied with the HKIS, RICS, as well as relevant provisions in the Companies Ordinance and the Listing Rules. As further confirmed by the Valuer, the cost approach with application of DRC is one of the accepted valuation approach under “The HKIS Valuation Standards (2017 Edition)” published by the HKIS and “RICS Valuation - Global Standards 2017” published by the RICS.

Based on our review and analysis of the Property Valuation Report, having considered that the competence of the Valuer and the reasonableness of valuation approach, basis and assumptions being adopted, we are of the view that the Valuation is fair and reasonable.

LETTER FROM BAOQIAO PARTNERS

We noted that the Relevant Period is up to 31 March 2022 (i.e. Long Stop Date) but the Consideration was determined, among other things, with reference to the current market value of the Target Property. As discussed with the Management, in the view that (i) the Target Property will be a non-revenue generating asset of the Group after the Relocation; (ii) barring unforeseen circumstances, the Company does not foresee any significant fluctuation in the fair value of the Target Property during the Relevant Period, given that there is no change in the land use planning for the land use rights of the Target Property under the current government policies based on the PRC legal opinion and the market liquidity for the industrial property with similar characteristics of the Target Property is generally limited in the PRC after discussion with the Valuer; (iii) the Company currently expects that the Relocation will commence in 2020 after completion of construction of the first phase of New R&D & Production Base by the end of 2019 and the Long Stop Date was agreed between parties to allow flexibility in exercising the Disposal Right by the Company; and (iv) the Disposal Right is granted by Tianda Group at nil consideration, the Company and Tianda Group finally agreed that the current fair value of the Target Property was applied to determine the Consideration.

In view of the above, together with the facts that (i) the valuation methodology adopted by the Valuer is a common practice for determining the fair value of the Target Property and the underlying basis and assumptions are fair and reasonable; (ii) the cash and cash equivalents at the Closing Date will be settled on dollar-for-dollar basis; (iii) the current financial position of Zhuhai Target and it is expected that there will be no material change on the net assets value of Zhuhai Target as at the Closing Date; (iv) the Consideration, having or without having considered the cash at bank of Zhuhai Target as at 31 December 2018 represented a premium of approximately 5% or 10% over the Adjusted NAV respectively; (v) the guaranteed realisation of the value of the Target Property at an appropriate time; and (vi) the reasons for the Transactions and expected benefits to the Company as discussed above, we are of the view that the Consideration is fair and reasonable.

7. Possible 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 financial effects of the Transactions set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Closing.

7.1 Net Assets

According to the 2018 Interim Report, the net assets of the Group were approximately HK\$807.3 million as at 30 September 2018.

As set out in the Letter from the Board in the Circular, it is expected that the Group will record a net gain on the Disposal of approximately RMB14.7 million (equivalent to approximately HK\$17.1 million). It is also anticipated that as a result of the Transactions, the unaudited total assets of the Group will increase by approximately HK\$4.5 million to approximately HK\$975.1 million while the unaudited total liabilities of the Group will decrease by approximately HK\$14.9 million to approximately HK\$148.4 million. As a result, the net asset value of the Group is also expected to increase by approximately RMB14.7 million (equivalent to approximately HK\$17.1 million), being the difference between the estimated net proceeds from the Disposal of approximately of RMB123.8 million (equivalent to approximately HK\$143.5 million) and the unaudited

LETTER FROM BAOQIAO PARTNERS

carrying value of the Group's investment in Zhuhai Target as at 31 December 2018 of approximately RMB109.1 million (equivalent to approximately HK\$126.5 million), upon Completion. 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.

7.2 Cashflow

As set out in the 2018 Interim Report, the bank balance and cash of the Group as at 30 September 2018 amounted to approximately HK\$460.7 million. Given that the net proceeds from the Transactions will be paid in full in cash to the Group on the Closing Date, it is expected that there will be a positive impact on the cashflow of the Group arising from the Transactions and the bank balance and cash would increase.

7.3 Earnings

Upon Closing, the Group will cease to hold any equity interest in Zhuhai Target, save for the expected net disposal gain of approximately RMB14.7 million (equivalent to approximately HK\$17.1 million) as disclosed in the Letter from the Board in the Circular, given the Zhuhai Target has other business operations except for holding the Target Property, the Directors do not foresee any significant impact on the earnings of the Group.

The actual accounting gain or loss on disposal to be recorded is subject to audit and may be different from the estimated amount as the actual gain or loss will depend on, amongst other factors, the actual net asset value of Zhuhai Target as at the date of Closing.

Based on the aforementioned financial effects of the Transactions, we are of the view that the Transactions will have an overall positive financial effect on the Group and be in the interest of the Group and its Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Closing.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we are of the view that even though the entering into of the Agreement is not in the ordinary and usual course of the business of the Group, the Agreement and Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Agreement and the Transactions.

Yours faithfully,
BaoQiao Partners Capital Limited

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 March 2016, 2017 and 2018 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 September 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tiandapharma.com>):

Annual report for the year ended 31 March 2016 (pages 47 to 124):
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719296.pdf>

Annual report for the year ended 31 March 2017 (pages 60 to 144):
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0728/LTN20170728262.pdf>

Annual report for the year ended 31 March 2018 (pages 64 to 152):
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0726/LTN20180726923.pdf>

Interim report for the six months ended 30 September 2018 (pages 24 to 64):
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1220/LTN20181220503.pdf>

2. INDEBTEDNESS STATEMENT

At the close of business on 28 February 2019, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Group had no outstanding indebtedness.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 28 February 2019, the Group did not have any debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, bank overdrafts, liabilities under acceptances (other than normal trade bills and payables) or acceptance credits, hire purchase or other finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in indebtedness and contingent liabilities of the Group since 28 February 2019 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Company were made up.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that, taking into account the expected completion of the disposal of the Target Shares, the internal financial resources available and no existing available facilities of the Group, the Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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. 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 Group with additional working capital. 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 such property at a consideration. During the current financial year, the Directors expect that with cash reserve and cash generated from the operating activities, the Group's operations and financial position will remain steady and will not be materially impacted by the Transactions. The Group will closely monitor the market situations and trends and will continue to enhance resources integration, R&D and marketing while sparing no efforts in developing TCM business and TCM medical center project to further establish a solid foundation. The Group will strive for its organic growth and move forward steadily and is committed to developing into an integrated medic-pharmaceuticals enterprise.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuation of the Property to be disposed of by the Group as at 28th February 2019.

Vigers Appraisal and Consulting Limited

General Practice Sector
27/F Standard Chartered Tower,
Millennium City 1, 388 Kwun Tong Road,
Kowloon, Hong Kong



T: +852 6651-5330 E: GP@Vigers.com W: www.Vigers.com

12 April 2019

The Board of Directors

Tianda Pharmaceuticals Limited

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

Dear Sirs,

We refer to the recent instruction from "**Tianda Pharmaceuticals Limited**" (referred to as the "**Company**") and its subsidiary(ies) (together referred to as the "**Group**") to us to value the property interest(s) of "**No. 82 Anlian Road, Qianshan, Xiangzhou District, Zhuhai City, Guangdong Province, the People's Republic of China**" (referred to as the "**Property**") which is to be disposed of by the Group, we confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Property as at 28 February 2019 (the "**Date of Valuation**").

Basis of Value

Our valuation is our opinion of market value of the Property which is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Our valuation has been prepared in accordance with "The HKIS Valuation Standards (2017 Edition)" published by "The Hong Kong Institute of Surveyors" ("**HKIS**"), "RICS Valuation – Global Standards 2017" published by the "Royal Institution of Chartered Surveyors" ("**RICS**"), relevant provisions in the Companies Ordinance and the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (Main Board) published by "The Stock Exchange of Hong Kong Limited" ("**HKEx**"). Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Approach to Value

In lack of sufficient comparable for comparison, we have adopted cost approach which “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence”. Our valuation of the Property is assessed based on “depreciated replacement cost” (“**DRC**”) which is “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. In our valuation, no consideration has been taken into account of alternative use(s) or development option(s); nor have we considered any redevelopment potential of the Property.

Title Investigation

The Property is located in the People’s Republic of China (the “**PRC**”), and we have been given extracted copy(ies) of relevant title document(s) for the Property but we have not checked the title(s) to the Property nor scrutinized the original title document(s). We have relied on the advice given by the Group and her legal adviser on the laws of the PRC, “**Salans FMC SNR Denton McKenna Long**” (hereinafter referred to as the “**PRC Legal Adviser**”) regarding title(s) to and ownership of the Property. For the purpose of our valuation, we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title(s), ownership, encumbrances and so on of the Property. While we have exercised our professional judgement in arriving at our valuation, you are urged to consider our valuation assumptions with caution.

Valuation Consideration

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Group, particularly planning approval(s) or statutory notice(s), easement(s), land-use rights’ term(s), site and floor areas, occupancy status as well as in the identification of the Property. We have also made reference to a quantity surveyor’s report prepared by “**C. Y. Hon Consultants Limited**” (the “**QS Consultant**”) regarding the current replacement cost with modern equivalent of the Property. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, the PRC Legal Adviser and the QS Consultant, and we have been advised that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the Property but we have assumed that the site and floor areas shown on the document(s) handed to us are accurate and reliable. All dimension(s), measurement(s) and area(s) included in our valuation report are based on the information contained in the document(s) provided to us and are therefore approximations.

An inspection to the Property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) RICS Registered Valuer China Registered Real Estate Appraiser* and **Mr Jeff M. C. LIU** *BSc(Hons)* on 28th November 2018. During the course of our inspection, no serious defect was noted; and the condition of the Property is considered to be reasonable commensurate to its age and use. Centralized and split-type air-conditioning systems as well as automatic sprinkler system together with supply of electricity, water and drainage are all available throughout the Property. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other part(s) of the structure(s) of the Property which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part(s) of the Property is free from any structural or non-structural defect.

Valuation Assumption

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state assuming sale with vacant possession and without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value of the Property unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner(s) of the Property has/have free and uninterrupted rights to use and assign the Property during the unexpired land-use rights' term(s) granted subject to payment of usual land-use fee(s). Our valuation for the Property is carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the Property.

We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory.

Our value assessment of the Property is the value estimated without regard to cost(s) of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has/have been disregarded. In our valuation, we have assumed that the Property is free from encumbrances, restriction(s) and outgoing(s) of an onerous nature which may serve to affect the value of the Property.

Remarks

We hereby confirm that:

- (1) we have no present or prospective interest in the Property; and are not a related corporation of nor having a relationship with the Group or other party / parties who the Group is contracting with;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;
- (3) our valuation has been prepared on a fair and unbiased basis;
- (4) the valuer's compensation is not contingent upon reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or occurrence of subsequent event; and
- (5) we are independent of the Group.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi (“**RMB**”), the lawful currency of the PRC.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

Sr Franky C. H. WONG

MSc(RealEst) MCIM FRICS MHKIS RPS(GP)

China Registered Real Estate Appraiser

RICS Registered Valuer

Director

Note: Graduated from The University of Hong Kong with a Master of Science in Real Estate, **Sr Franky C. H. WONG** is a “Registered Professional Surveyor in General Practice Division” (“**RPS(GP)**”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 18 years’ valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Japan, Southeast Asia countries, United Kingdom and United State of America. **Sr WONG** has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by the HKIS and “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. **Sr WONG** has been employed by “Vigers Appraisal and Consulting Limited” as a valuer since 2006 and as a qualified surveyor since 2009.

PROPERTY VALUATION REPORT

Property currently held by the Group for Owner-occupation purpose

The Property	Description and Tenure	Occupancy Status	Capital Value in Existing State as at the Date of Valuation
No. 82 Anlian Road, Qianshan, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	<p>Completed in 1999, the Property comprises an industrial complex for manufacturing use with ancillary facilities such as office, control rooms and staff canteen provided therein.</p> <p>The Property is located on the western side of Xihua Road near its junction with Mingzhu Road South in Xiangzhou, where is a mixed-user area comprising various industrial developments and residential communities.</p> <p>The Property has a site area of about 52,426.00 square metres and a total gross floor area of about 44,184.93 square metres.</p> <p>The Property is held under granted land-use rights for industrial use to be expired on 28th September 2042.</p>	<p>As at the date of inspection, the Property was owner-occupied for industrial use; and part of the Property with gross floor area of about 17,969.33 square metres is let to "Tianda Pharmaceuticals (Zhuhai) Limited", a wholly-own subsidiary of the Company, for a term of two years from 1st January 2019 to 31st December 2020 at a monthly rent of RMB294,697.04 only exclusive of utility charges.</p>	<p>RMB125,000,000 (RENMINBI ONE HUNDRED TWENTY FIVE MILLION ONLY)</p> <p>(100% interest attributable to the Group: RMB125,000,000 (RENMINBI ONE HUNDRED TWENTY FIVE MILLION ONLY))</p>

Notes

1. Pursuant to "Real Estate Ownership Certificate" (Document No.: 20170013069), the land-use rights of the Property is vested in the name of "Zhuhai Tianda Realty Limited".
2. Pursuant to "Real Estate Ownership Certificates" (Document Nos.: 20170013069, 20170013070, 20170013071, 20170013072, 20170013073, 20170013074, 20170013180 and 20170013183), the building portion of the Property is vested in the name of "Zhuhai Tianda Realty Limited".
3. "Zhuhai Tianda Realty Limited" is a wholly-owned subsidiary of the Company.
4. The PRC Legal Adviser has provided certain advice in her legal opinion, including but not limited to, that:
 - (1) the land-use rights and the buildings of the Property are legally vested in "Zhuhai Tianda Realty Limited";
 - (2) "Zhuhai Tianda Realty Limited" has the rights to occupy, use, gain revenue from or by other legal means dispose of the Property in accordance with the laws of the PRC;

- (3) the Property is not subject to sealed order, mortgage, objection or any other registration;
 - (4) notwithstanding that written material regarding payment of land-use rights grant premium is not available for verification, there is no real impact on its rights to occupy, use, gain revenue from or by other legal means dispose of the Property in accordance with the laws of the PRC, since "Zhuhai Tianda Realty Limited" has obtained "Real Estate Ownership Certificates" of the Property; and
 - (5) the tenancy agreement entered into between "Zhuhai Tianda Realty Limited" and "Tianda Pharmaceuticals (Zhuhai) Limited" dated 31st December 2018 is legally valid.
5. As confirmed by the Group, the use of the Property does not constitute any breach of environmental regulations.
6. As confirmed by the Group, there is no plan for construction, renovation, improvement or development of the Property.
7. As confirmed by the Group, there is no plan to change the use of the Property.
8. Upon Closing, 100% equity interest of "Zhuhai Tianda Realty Limited" ("**Zhuhai Target**") will be ultimately owned by "Tianda Group Limited" ("**Tianda Group**"), and the Company will cease to hold any equity interest in Zhuhai Target. The Consideration for the Target Shares shall be RMB125,000,000 plus the cash at bank of Zhuhai Target as at the Closing Date, which the Consideration shall not be more than RMB145,000,000 in any event.

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 in this circular 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	1,194,971,370 <i>(Note)</i>	–	1,194,971,370	55.58%

Note:

- These 1,194,971,370 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 associated 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 (<i>Note</i>)	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	1,194,971,370	1,194,971,370	55.58%
Hongta Tobacco (Group) Limited	Beneficial owner	–	207,616,264	207,616,264	9.66%
SIIC Medical Science and Technology (Group) Limited (“SMST”)	Beneficial owner	2	280,517,724	280,517,724	13.05%
Shanghai Pharmaceutical Holding Co., Ltd.* (上海醫藥集團股份有限公司) (“SPHL”)	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%

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 SPHL. SPHL is deemed to be interested in all the Shares held by SMST.
3. SPHL is legally and beneficially owned as to 34.9% by Shanghai Shangshi (Group) Co., Ltd. (“Shanghai Shangshi”) and 0.62% by SIIC. Shanghai Shangshi is legally and beneficially wholly-owned by SIIC. SIIC is deemed to be interested in all the Shares held by SMST by virtue of controlling SPHL.

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’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective close associates had any interests in any business apart from the Group’s businesses which competed or might compete, either directly or indirectly, with the businesses of the Group.

5. EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

BaoQiao Partners	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Vigers Appraisal and Consulting Limited	an independent property valuer

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice and opinion (as the case maybe) and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, no member of the Group was involved in any litigation or claim of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

7. MATERIAL CONTRACTS OF THE GROUP

During the two years immediately preceding the date of this circular ending on the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Group and are or may be material:

- (a) the acquisition agreement dated 12 June 2017 entered into between Tianda Chinese Medicine Limited as purchaser, an indirect wholly owned subsidiary of the Company, and 朱宏兵 (Mr. Zhu Hongbing*) and 羅寶珍 (Ms. Luo Baozhen*) as vendors, both of which were Independent Third Parties, pursuant to which Tianda Chinese Medicine Limited agreed to acquire 100% registered capital of 珠海仁宏醫藥有限公司 (Zhuhai Renhong Medicine Co., Ltd.) for a consideration of RMB5,141,394 (equivalent to approximately HK\$5,842,493); and
- (b) the Agreement.

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Agreement, 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.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lo Tai On, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong.
- (d) The Hong Kong share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) each of the material contracts referred to in the paragraph headed "Material contracts of the Group" in this appendix;
- (c) the annual reports of the Company for each of the three financial years ended 31 March 2016, 2017 and 2018;
- (d) the interim report of the Company for the six months ended 30 September 2018;

- (e) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (g) the letter of advice from BaoQiao Partners, the text of which is set out in the section headed “Letter from BaoQiao Partners” in this circular;
- (h) the valuation certificate and the valuation report from Vigers Appraisal and Consulting Limited on the Target Property, the text of which is set out in Appendix II to this circular;
- (i) the written consents referred to in the paragraph headed “Experts” in this appendix; and
- (j) this circular.

NOTICE OF EGM



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Tianda Pharmaceuticals Limited (the “**Company**”) will be held on Tuesday, 7 May 2019 at 11:00 a.m. at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTIONS

“THAT:

- (a) the conditional disposal right agreement dated 22 February 2019 (the “**Agreement**”, a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purposes of identification), entered into between Tianda Pharmaceuticals (Hong Kong) Limited (“**Tianda Pharmaceuticals (Hong Kong)**”) and Tianda Group Limited (“**Tianda Group**”) in relation to a conditional disposal right granted by Tianda Group to Tianda Pharmaceuticals (Hong Kong) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one director (the “**Director**”) of the Company be and is hereby authorised, for and on behalf of the Company, to sign and execute such documents, including under seal where applicable, and do all such acts and things as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder.”

Yours faithfully,

For and on behalf of the board of Directors

Tianda Pharmaceuticals Limited

FANG Wen Quan

Chairman and Managing Director

Hong Kong, 12 April 2019

Registered office:

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

NOTICE OF EGM

Head office and principal place of business in Hong Kong:

Suites 2405-2410, 24th Floor

CITIC Tower

No. 1 Tim Mei Avenue

Central

Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the head office and principal place of business of the Company in Hong Kong at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register.
4. The register of members of the Company will be closed from Thursday, 2 May 2019 to Tuesday, 7 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 30 April 2019.
5. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:30 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.tiandapharma.com and on the Stock Exchange website at <http://www.hkexnews.hk> to notify shareholders of the Company of the date, time and venue of the alternative meeting arrangements.
6. The board of Directors of the Company comprises:

Directors

Executive Directors:

Fang Wen Quan (*Chairman and Managing Director*)

Lui Man Sang

Non-executive Directors:

Shen Bo

Feng Quanming

Lam Lee G.

Independent non-executive Directors:

Lam Yat Fai

Chiu Sung Hong

Chiu Fan Wa