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**同方康泰產業集團有限公司**  
**Tongfang Kontafarma Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1312)**

**DISCLOSEABLE TRANSACTION  
DISPOSAL AND LEASE ARRANGEMENT**

**DISPOSAL AND LEASE ARRANGEMENT**

**The Sale and Purchase Agreement**

On 30 June 2020 (after trading hours), Allied Wangchao entered into the Sale and Purchase Agreement with Grand Core, pursuant to which Allied Wangchao agreed to dispose of the Machinery at the consideration of RMB38,364,480 to Grand Core.

**The Lease**

On 30 June 2020 (after trading hours), Allied Wangchao also entered into the Lease with Grand Core, pursuant to which Allied Wangchao agreed to lease the Machinery from Grand Core for a rent of RMB5,754,672 per annum for the period commencing from 1 July 2020 to 30 June 2023.

**LISTING RULES IMPLICATIONS**

As one or more of the relevant applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement, on a standalone basis and when aggregated with the Lease, are more than 5% but less than 25%, the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. None of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Lease is more than 5%.

**THE SALE AND PURCHASE AGREEMENT**

On 30 June 2020 (after trading hours), Allied Wangchao entered into the Sale and Purchase Agreement with Grand Core. The principal terms of the Sale and Purchase Agreement are set out as follows:

**Date:** 30 June 2020 (after trading hours)

**Parties:** Grand Core (as purchaser); and  
Allied Wangchao (as vendor)

**Subject matter:**

Pursuant to the Sale and Purchase Agreement, Allied Wangchao agreed to dispose of the Machinery to Grand Core.

**Consideration and payment manner:**

The total consideration of the Machinery is RMB38,364,480 (inclusive of taxation) and is satisfied by a one-off payment or instalment(s) within one year from the date of the Sale and Purchase Agreement made by Grand Core to Allied Wangchao's authorised agent.

**Basis of consideration:**

The abovementioned consideration was determined after arm's length negotiations between Allied Wangchao and Grand Core after considering the net book value of the Machinery as at 31 May 2020.

**THE LEASE**

On 30 June 2020 (after trading hours), Allied Wangchao also entered into the Lease with Grand Core. The principal terms of the Lease are set out as follows:

**Date:** 30 June 2020 (after trading hours)

**Parties:** Grand Core (as lessor); and  
Allied Wangchao (as lessee)

**Subject matter:**

Pursuant to the Lease, Allied Wangchao agreed to lease the Machinery from Grand Core.

**Lease period:**

1 July 2020 to 30 June 2023

**Rent and payment manner:**

The rent for the Machinery is RMB5,754,672 per annum (inclusive of taxation) and is payable by Allied Wangchao half-yearly.

The aforementioned rent for the Machinery was determined after arm's length negotiations between Allied Wangchao and Grand Core with reference to the prevailing market rates for leases for similar assets.

**INFORMATION ON THE MACHINERY**

The Machinery comprises 728 machines or equipment which are used for production of cement. As at 31 May 2020, the net book value of the Machinery was approximately RMB33,201,373.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE LEASE ARRANGEMENT**

The Sale and Purchase Agreement and the Lease are expected to bring in cash flow for the Group to invest in other investment products with higher returns while allowing Allied Wangchao to benefit from continuing to use the Machinery. The Group intends to apply the sale proceeds of the disposal of the Machinery to its general working capital. It is estimated that the Group will record a profit before taxation for the disposal of Machinery of approximately RMB5.2 million, which is calculated on the basis of the total consideration of the Machinery less the net book value of the Machinery.

The Directors are of the view that the terms of the Sale and Purchase Agreement and the Lease are agreed by the parties after arm's length negotiation on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANY, THE GROUP, ALLIED WANGCHAO AND GRAND CORE**

The Company is a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board.

Allied Wangchao's equity interest is indirectly held as to 100% by the Company.

The Company is an investment holding company. The Group is principally engaged in the (i) manufacturing and sales of prescription drugs, including chemical drugs and prescribed traditional Chinese medicines in the PRC, and laboratory related products; (ii) operating of fitness centres and provision of consultation services for fitness and health activities, and operating of franchise business for royalty and service fee income; and (iii) manufacturing and sales of cement and clinker and trading of cement with operations in Shandong province and Shanghai in the PRC.

Grand Core is a company incorporated in the British Virgin Islands. It is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Grand Core and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As one or more of the relevant applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement, on a standalone basis and when aggregated with the Lease, are more than 5% but less than 25%, the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. None of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Lease is more than 5%.

## DEFINITIONS

“Allied Wangchao”	Shandong Allied Wangchao Cement Limited* (山東聯合王晁水泥有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company, being the vendor under the Sale and Purchase Agreement and the lessee under the Lease
“Board”	the board of Directors
“Company”	Tongfang Kontafarma Holdings 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: 1312)
“Director(s)”	the directors of the Company
“Grand Core”	Grand Core Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, being the purchaser under the Sale and Purchase Agreement and the lessor under the Lease
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease”	the lease dated 30 June 2020 entered into between Allied Wangchao and Grand Core in relation to the lease of the Machinery
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Machinery”	the machines and equipment used for production of cement as particularised in the Sale and Purchase Agreement and the Lease
“Main Board”	the Main Board of the Stock Exchange
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the issued share(s) of HK\$0.002 each in the share capital of the Company
“Sale and Purchase Agreement”	the machinery sale and purchase agreement dated 30 June 2020 entered into between Allied Wangchao and Grand Core in relation to the sale and purchase of the Machinery

“Stock Exchange”      The Stock Exchange of Hong Kong Limited

“%”      per cent

By order of the Board of  
**Tongfang Kontafarma Holdings Limited**  
**Huang Yu**  
*Chairman*

Hong Kong, 3 July 2020

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Huang Yu (Chairman) and Mr. Jiang Chaowen (Chief Executive Officer); and three independent non-executive Directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.*

\* *For identification purposes only*