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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)

BUSINESS UPDATE
ENFORCEMENT OF SHARE CHARGE

The board of directors (the “**Board**”) of Tongfang Kontafarma Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the share charge dated 29 May 2017 (the “**Share Charge**”) executed by Active Gains Universal Limited (“**Active Gains**”) in favour of Fester Global Limited (“**Fester Global**”), a wholly-owned subsidiary of the Company, in relation to the charge of 10,000 shares in TFKT True Holdings (“**True Cayman**”) owned by Active Gains has been enforced by Fester Global on 29 January 2021. The enforcement of the Share Charge by Fester Global has been proceeded as a result of the failure of Active Gains to compensate Fester Global in respect of the shortfall in the guaranteed profit of True Cayman and its subsidiaries (the “**True Cayman Group**”) pursuant to the sale and purchase agreement dated 6 May 2017 entered into among Fester Global as purchaser, the Company as purchaser’s guarantor, Active Gains as vendor and Mr. Patrick John Wee Ewe Seng as vendor’s warrantor (the “**True Cayman SPA**”) regarding the acquisition of 51% shareholding in True Cayman by Fester Global from Active Gains which constituted a major transaction of the Company, details of which were disclosed in the announcements and circular of the Company respectively dated 6 May, 29 May and 28 July 2017.

The shortfall concerned the guaranteed profit of the True Cayman Group for the three financial years ended 31 December 2019. The aggregate shortfall in respect of such three financial years as disclosed in the annual reports of the Company for the corresponding financial years amounted to approximately US\$18.5 million. In particular, please refer to note 8, note 8(a)(ii) and note 8(ii) to the respective financial statements contained in the annual reports of the Company for each of the year ended 31 December 2017, 2018 and 2019 as well as page 15 and page 23 under the section headed “Management Discussion and Analysis” of the annual reports of the Company for the year ended 31 December 2018 and 2019 respectively. In respect of the shortfall for the financial year ended 31 December 2019, please also refer to page 19 of the annual results announcement of the Company dated 30 March 2020.

The Group has been proactively seeking legal advices as to appropriate actions and recourses of the Group. The Group, through its legal adviser, has been demanding Active Gains to compensate the Group in cash. In spite of the reiterative demands made by the Group, Active Gains still failed to compensate Fester Global and the Share Charge has therefore been enforced by the Fester Global.

Prior to the enforcement of the Share Charge, True Cayman was owned by Fester Global as to 54% and following the enforcement of the Share Charge, True Cayman is owned by Fester Global as to 73% and the remaining 27% shareholding is owned by Active Gains. In view of the failure of Active Gains to compensate Fester Global, the Board considered the exercise of the Share Charge is fair and reasonable given the circumstances and in the interests of the Company and its shareholders as a whole. The Company is continuously seeking legal advice to ascertain any further appropriate actions and recourses and further announcement will be made as and when appropriate.

By order of the Board of
Tongfang Kontafarma Holdings Limited
Chai Hongjie
Chairman

Hong Kong, 1 February 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Chai Hongjie (Chairman), Mr. Huang Yu (President), Mr. Wei Bingzhang 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.