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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE CONSTRUCTION CONTRACT FOR SHAANXI PRODUCTION BASE**

THE SHAANXI CONSTRUCTION CONTRACT

On 12 July 2021, Shaanxi Unisplendour, an indirect non-wholly owned subsidiary of the Company, entered into the Shaanxi Construction Contract with Shanxi Industrial, pursuant to which Shaanxi Unisplendour agreed to engage Shanxi Industrial as the general contractor to carry out the construction works for the Shaanxi Production Base Project at the estimated contract price of RMB166,000,000 (subject to adjustments).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Shaanxi Construction Contract is more than 25% but less than 100%, the transaction contemplated under the Shaanxi Construction Contract constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shanxi Industrial is a non-wholly owned subsidiary of Shanxi Construction, which in turn is indirectly wholly-owned by Shanxi Government Commission. As Shanxi Government Commission, together with its subsidiaries, holds approximately 56.77% of the entire issued share capital of the Company through China Health, Shanxi Industrial is a connected person of the Company and the transaction contemplated under the Shaanxi Construction Contract constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Shaanxi Construction Contract and the transaction contemplated thereunder. China Health (directly holding 56.77% of the issued share capital of the Company as at the date of this announcement) and its associates shall abstain from voting on the resolution approving the Shaanxi Construction Contract and the transaction contemplated thereunder at the EGM. Save as aforementioned, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, no other Shareholder has any material interest in the transaction contemplated under the Shaanxi Construction Contract and would be required to abstain from voting at the EGM.

The Company has established the Independent Board Committee comprising all three independent non-executive Directors to consider the terms of the Shaanxi Construction Contract and the transaction contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Shaanxi Construction Contract are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, after taking into account the advice from the Independent Financial Adviser.

Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

A circular containing, among other things, (i) further information on the Shaanxi Construction Contract and the transaction contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) the notice convening the EGM together with the proxy form, is currently expected to be despatched to the Shareholders on or before 10 August 2021, so as to allow sufficient time for the Company to prepare the required financial information and other relevant information for inclusion in the Circular.

THE SHAANXI CONSTRUCTION CONTRACT

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The principal terms of the Shaanxi Construction Contract are set out below:

- Date:** 12 July 2021
- Parties:** (i) Shaanxi Unisplendour, as the principal
(ii) Shanxi Industrial, as the contractor
- Project scope:** Pursuant to the Shaanxi Construction Contract, Shanxi Industrial, as a general contractor, is responsible for the construction of complex office buildings, two production factories, warehouses, workshops and other ancillary facilities for the Shaanxi Production Base Project, including but not limited to the main construction works, fire protection engineering and equipment, water supply and drainage, electrical works, ventilation and air conditioning, fitting out and decoration of the Shaanxi Production Base.
- Construction contract price and payment term:** The total contract sum is estimated to be RMB166,000,000, which is subject to adjustments based on the actual construction period and construction works conducted and with reference to the latest published price of labour and materials in Shaanxi. The contract price was arrived at by a tender process conducted by the Group for the Shaanxi Production Base Project. For details of the tender process, please refer to the paragraph headed “Reasons for and benefits of the entering into of the Shaanxi Construction Contract” below. The total contract price shall be payable on a monthly basis based on construction progress.
- The Board is of the view that the total contract price under the Shaanxi Construction Contract is fair and reasonable.
- The total contract price for the Shaanxi Production Base Project will be funded by bank borrowings and internal resources of the Group.
- Condition precedent:** The commencement of the Shaanxi Construction Contract is conditional upon the Independent Shareholders having approved the Shaanxi Construction Contract and the transaction contemplated thereunder.
- Expected date of commencement and completion:** Subject to fulfillment of the condition precedent, the construction works under the Shaanxi Construction Contract are tentatively expected to commence in September 2021 and to be completed in July 2022

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SHAANXI CONSTRUCTION CONTRACT

As disclosed in the announcement of the Company dated 22 January 2021, the Group planned to establish a new production base for Chinese medicines. The existing production base of Chinese medicine of the Group came into operation since 2000 and has gradually worn out. In addition, the Group is unable to improve its production efficiency by expanding the production scale of its Chinese medicines due to the lack of space and production capacity at the existing production base. In view of the long-term development of the Group, the Board decided to establish a new production base for Chinese medicines. The Board is of the view that, with more advanced and automated machineries, the establishment of the Shaanxi Production Base would enhance the Group's production capacity of Chinese medicines and allow the Group to expand its product portfolio which would in turn improve the Group's production efficiency whilst reducing costs. The Board believes that the construction of the Shaanxi Production Base is in alignment with the Group's overall strategy and would benefit its long-term business development in the pharmaceutical segment.

The contractor for the Shaanxi Production Base Project and the contract price were determined through a tendering process conducted by the Group. The Group has engaged a tendering agent, being an Independent Third Party, to prepare the bidding document and administer the bidding process for the Shaanxi Production Base Project. Tenders were received from Shanxi Industrial and two other bidders, each of which is an Independent Third Party. In determining the contractor of the Shaanxi Production Base Project, an evaluation of various factors including the content of the proposal submitted, business reputation and track record of the bidders has been conducted. The Shaanxi Construction Contract was finally awarded to Shanxi Industrial, having taken into consideration that, among other things, (i) the proposal submitted by Shanxi Industrial was considered to be comprehensive and practical and conformed to the requirements set out in the bidding documents; and (ii) Shanxi Industrial has a proven track record in engineering, procurement and construction and design projects for Pharmaceutical industry.

In light of the above, the Board considers that the terms of the Shaanxi Construction Contract are fair and reasonable and on normal commercial terms and the entering into of the Shaanxi Construction Contract is in the interests of the Company and Shareholders as a whole and would benefit the Group's long-term business development in pharmaceutical segment.

None of the Directors had a material interest in the Shaanxi Construction Contract and the transaction contemplated thereunder, therefore no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company and the Group is currently principally engaged in (i) manufacturing and sales of prescription drugs, including chemical drugs and prescribed traditional Chinese medicines, and laboratory related products in the PRC; and (ii) operating fitness centres and providing consultation services for fitness and health activities, and operating franchise business for royalty fee income.

Shaanxi Unisplendour

Shaanxi Unisplendour is a company incorporated in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. Shaanxi Unisplendour is principally engaged in development, manufacturing and distribution of Chinese medicines.

Shanxi Industrial

Shanxi Industrial is a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of Shanxi Construction. Shanxi Industrial is principally engaged in provision of design, installation, construction and related engineering services.

LISTING RULES IMPLICATIONS

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Shanxi Industrial is a non-wholly owned subsidiary of Shanxi Construction, which in turn is indirectly wholly-owned by Shanxi Government Commission. As Shanxi Government Commission, together with its subsidiaries, holds approximately 56.77% of the entire issued share capital of the Company through China Health, Shanxi Industrial is a connected person of the Company and the transaction contemplated under the Shaanxi Construction Contract constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The Company has established the Independent Board Committee comprising all three independent non-executive Directors to consider the terms of the Shaanxi Construction Contract and the transaction contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Shaanxi Construction Contract are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, after taking into account the advice from the Independent Financial Adviser.

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DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Health”	China Health Management Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which holds approximately 56.77% shareholding of the Company as at the date of this announcement
“Company”	Tongfang Kontafarma Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1312)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Shaanxi Construction Contract and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack, all being the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Shaanxi Construction Contract and the transaction contemplated thereunder
“Independent Financial Adviser”	Amasse Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Shaanxi Construction Contract and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested or involved in the Shaanxi Construction Contract and the transaction contemplated thereunder

“Independent Third Party(ies)”	a party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Construction Contract”	the construction contract dated 12 July 2021 entered into between Shaanxi Unisplendour and Shanxi Industrial in respect of the Shaanxi Production Base Project
“Shaanxi Production Base”	The new production base for Chinese medicines located at Hi-tech Industrial Development District, Baoji City, Shaanxi Province, the PRC* (中國陝西省寶雞市高新技術產業開發區)
“Shaanxi Production Base Project”	the construction project of the Shaanxi Production Base
“Shaanxi Unisplendour”	Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
“Shanxi Construction”	Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司), a company incorporated in the PRC with limited liability
“Shanxi Government Commission”	State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government
“Shanxi Industrial”	Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

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

Hong Kong, 12 July 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.

** For identification purposes only*