

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTION
IN RELATION TO DISPOSAL OF
AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

The Board would like to announce that on 22 October 2021 (after trading hours), the Seller (a wholly-owned subsidiary of the Company), the Buyer and the Company (as the Seller's guarantor) entered into the Sale and Purchase Agreement, pursuant to which (i) the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase the Sale Shares, representing approximately 79.83% of the issued share capital of the Target Company, on an as-converted and fully-diluted basis and assuming that all the shares reserved under the equity plan of the Target Company have been issued; and (ii) the Seller conditionally agreed to procure the novation of, and the Buyer conditionally agreed to purchase the Novated Loans, at a total consideration of US\$16,000,000 (equivalent to approximately HK\$124,000,000).

Upon the Completion, the Group will cease to have any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transaction exceed 25% but are below 75%, the Transaction constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

As at the date of this announcement, the Company is in the course of seeking a written Shareholder's approval from its controlling Shareholder, namely China Health which is in turn ultimately controlled by Shanxi State-owned Capital Operation Co., Ltd.* (山西省國有資本運營有限公司), a state-owned enterprise established by the Shanxi Province Government in the PRC. As at the date of this announcement, China Health directly holds 3,172,778,000 Shares, representing approximately 56.77% of the issued share capital of the Company. The written approval from China Health, once obtained, would approve the Sale and Purchase Agreement and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch to the Shareholders a circular in relation to the Transaction and other information required to be included therein under the Listing Rules within 15 business days after the publication of this announcement, that is, on or before 12 November 2021. The Company currently expects that the circular will be despatched on or before 12 November 2021. If additional time is needed for the Company to prepare and finalize information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and make a further announcement regarding any delay in despatch of the circular in due course.

It is currently expected that the written approval from China Health could be obtained prior to dispatch of the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares and other securities of the Company.

THE SALE AND PURCHASE AGREEMENT

On 22 October 2021 (after trading hours), the Seller (a wholly-owned subsidiary of the Company), the Buyer and the Company (as the Seller's guarantor) entered into the Sale and Purchase Agreement in respect of the Transaction.

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 22 October 2021 (after trading hours)

Parties: (1) the Seller, a wholly-owned subsidiary of the Company
(2) the Buyer
(3) the Company, as the Seller's guarantor

To best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Buyer is a company incorporated in Hong Kong with limited liability for investment holding purpose; (ii) the ultimate beneficial owner of the Buyer is XU Juan (徐娟); and (iii) the Buyer and its ultimate beneficial owner are Independent Third Parties.

Subject Matter

Under the Sale and Purchase Agreement, (i) the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase the Sale Shares, representing approximately 79.83% of the issued share capital of the Target Company, on an as-converted and fully-diluted basis and assuming that all the shares reserved under the equity plan of the Target Company have been issued; and (ii) the Seller conditionally agreed to procure the novation of, and the Buyer conditionally agreed to purchase, the Novated Loans.

As at the date of the Sale and Purchase Agreement, the Target Company owed Tongfang Pharmaceutical, a wholly-owned subsidiary of the Company two debts for the aggregate principal sum of US\$5,000,000 (equivalent to approximately HK\$38,750,000). As part of the Consideration for the Transaction, at Completion, the Seller will procure (a) the Target Company, Tongfang Pharmaceutical, the Company, Shenzhen Warranty and Warranty Asset Management to enter into the Novation Agreement I with the Buyer and (b) the Target Company and Tongfang Pharmaceutical to enter into the Novation Agreement II with the Buyer for the novation of the Novated Loans to the Buyer, subject to the payment by the Buyer to the Group of consideration equal to (i) the principal amount of the Novated Loans, being US\$5,000,000 (equivalent to approximately HK\$38,750,000) plus (ii) any unpaid interest accrued thereon up to the Completion Date (the "**Novation Consideration**").

Consideration

The Consideration payable by the Buyer in the amount of US\$16,000,000 (equivalent to approximately HK\$124,000,000) consists of (a) the Novation Consideration; and (b) the consideration in respect of the transfer of the Sale Shares which is equal to an amount being US\$16,000,000 (equivalent to approximately HK\$124,000,000) less the Novation Consideration (the “**Sale Shares Consideration**”), and shall be settled in cash in United States Dollars at Completion in the following manner:

- (i) as to the Novation Consideration, the Buyer shall pay by telegraphic transfer in immediately available funds to the account designated by Tongfang Pharmaceutical at least three Business Days prior to the Completion Date; and
- (ii) as to the Sale Shares Consideration, the Buyer shall pay by telegraphic transfer in immediately available funds to the account designated by the Seller at least three Business Days prior to the Completion Date.

The Consideration payable by the Buyer has been determined after arm’s length negotiation between the parties to the Sale and Purchase Agreement with reference to, among other things, (i) the investment amount historically contributed by the Group in the Target Company; and (ii) the value of the Novated Loans on a dollar-to-dollar basis.

Conditions precedent

Completion is conditional upon and subject to the following conditions:

- (i) each of the Seller and Buyer having performed and complied with all covenants and obligations respectively required to be performed or complied with by it under the Sale and Purchase Agreement on or before the Completion Date and both parties having delivered to each other a certificate to that effect in the agreed form at Completion;
- (ii) each of the warranties respectively given by the Seller and the Buyer being complete, true and accurate and not misleading as at the date of the Sale and Purchase Agreement and as at the Completion Date as though restated on and as at the Completion Date with respect to facts, events and circumstances existing as at such date and both parties having delivered to each other a certificate to that effect in the agreed form at Completion;
- (iii) no proceedings having been instituted or, so far as the Seller is aware, threatened that seek to restrain, prohibit, declare illegal, or otherwise challenge or interfere or obtain relief in connection with the transactions contemplated by the Sale and Purchase Agreement, nor there coming into force any law having the same result and the Seller having delivered to the Buyer a certificate to that effect in the agreed form at Completion;

- (iv) no claim under any of the indemnities specified in the Sale and Purchase Agreement having been notified by the Buyer to the Seller on or prior to Completion;
- (v) in connection with the Transaction, (i) all requisite filings or registrations having been made with; and (ii) all requisite governmental authorizations on terms and conditions reasonably satisfactory to the Buyer having been obtained from, all applicable governmental entities;
- (vi) no event, circumstance, occurrence or non-occurrence that individually or in the aggregate with other events, circumstances, occurrences or non-occurrences, (i) is or would reasonably be expected to be materially adverse to the business, assets, liabilities, prospects, condition (financial or otherwise) or results of the operations of the Target Company or (ii) could adversely affect the ability of the Seller or the Company to perform their obligations under the Sale and Purchase Agreement having occurred;
- (vii) the Company having obtained the approval from China Health in respect of the proposed sale of the Sale Shares by the Seller in accordance with its articles and as required by the Listing Rules and applicable law and such approval remaining effective as at the Completion Date;
- (viii) the Target Company having waived its right of first refusal conferred on it by the constitutional documents of the Target Company with respect to the sale of the Sale Shares as contemplated under the Sale and Purchase Agreement;
- (ix) all of the assets, tangible or intangible, used in, or arising out of, the conduct of the business operations of the Target Company being owned by the Target Company or otherwise held by the Target Company are under valid leases or licenses;
- (x) the Target Company having no subsidiaries;
- (xi) other than the shares reserved pursuant to an equity incentive plan adopted by the Target Company, there being no other securities convertible or exchangeable into shares of capital stock, nor any agreements of any kind relating to the issuance of any shares of capital stock or other securities of the Target Company under the terms of any options, warrants or the like;
- (xii) each of the documents in relation to the Transaction having been duly executed and delivered by each of the parties thereto.

If the conditions set out above have not been satisfied (or as the case may be, waived) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other hereunder. Among the conditions mentioned above, only the condition under aforesaid paragraphs (vii) (in respect of the warranties given by the Seller and the Company) cannot be waived by the Buyer.

Guarantee

The Company has guaranteed to the Buyer, among others, the due and punctual performance by the Seller of its obligations, and the punctual discharge by the Seller of its liabilities, arising under the Sale and Purchase Agreement.

Completion

Completion shall take place on the later of (a) fifteenth Business Day following the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and (b) 25 November 2021 or such other date as the parties to the Sale and Purchase Agreement may agree in writing.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION OF THE GROUP AND THE SELLER

The Company is an investment holding company and the Group is currently principally engaged in (i) the 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.

The Seller

The Seller is a limited partnership incorporated in the Cayman Islands and wholly-owned by the Company. The Seller is principally engaged in investment holding.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the United States in 2016 and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. The Target Company is principally engaged in research and development of tumor treatments and tumor immunotherapy.

Set out below is a summary of the key financial data of the Target Company for the two years ended 31 December 2020 which are prepared in accordance with the HKFRSs:

	For the year ended 31 December 2019 (unaudited) <i>HK\$'000</i>	For the year ended 31 December 2020 (unaudited) <i>HK\$'000</i>
Revenue	Nil	Nil
Loss before taxation	14,304	8,330
Loss after taxation	14,304	8,330
Loss attributable to owners of the Company	11,655	6,787

As at 30 June 2021, the total assets value and net assets value of the Target Company were approximately US\$7.69 million and US\$2.34 million respectively. The assets of the Target Company as at 30 June 2021 mainly comprised of intangible assets. The liabilities of the Target Company as at 30 June 2021 mainly comprised of the Novated Loans for the sum of US\$5 million and unpaid interest accrued thereon.

FINANCIAL EFFECT OF THE TRANSACTION

Upon Completion, the Group will cease to have any interests in the Target Company, and the financial results of the Target Company thereafter will no longer be consolidated in the financial statements of the Group.

The Group expects to record an estimated profit of approximately HK\$49.05 million as a result of the Transaction at the Completion. The actual profit as a result of the Transaction to be recorded by the Group is subject to audit to be performed by the auditors of the Company.

REASONS FOR THE TRANSACTION

The Target Company is principally engaged in research and development of tumor treatments and tumor immunotherapy at clinical laboratory located in the United States. The technologies and products developed by the Target Company are still at clinical trial stage and yet reach commercialization. It is expected that tremendous capital will further be required to be injected into the Target Company for the trials before the technologies and products could be commercialized. The Company believes that the Transaction represents a good opportunity to realize its investment in the Target Company which has been loss-making and demands unavoidable heavy capital expenditure. It is also the current plan of the Group to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group in the PRC.

The terms and conditions of the Transaction and the Consideration of the Transaction were negotiated on arm's length basis and on normal commercial terms between the Seller, the Buyer and the Company with reference to the financial performance and asset value of the Target Company, the amount of the Novated Loans as well as the capital historically contributed by the Group to the Target Company. The Consideration to be received in cash by the Group is expected to be applied as general working capital of the Group. Accordingly, the Transaction will enable the Group to increase its working capital, and will improve the liquidity and strengthen the overall financial position of the Group.

After thorough consideration of the above factors, the Directors consider that the terms of the Sale and Purchase Agreement (including the Consideration) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transaction exceed 25% but are below 75%, the Transaction constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have a material interest in the Sale and Purchase Agreement and the transaction contemplated thereunder and therefore no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

As at the date of this announcement, the Company is in the course of seeking a written Shareholder's approval from its controlling Shareholder, namely China Health which is in turn ultimately controlled by Shanxi State Capital Investment and Operation Co., Ltd.* (山西省國有資本投資運營有限公司), a state-owned enterprise established by the Shanxi Province Government in the PRC. As at the date of this announcement, China Health directly holds 3,172,778,000 Shares, representing approximately 56.77% of the issued share capital of the Company. The written approval from China Health, once obtained, would approve the Sale and Purchase Agreement and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch to the Shareholders a circular in relation to the Transaction and other information required to be included therein under the Listing Rules within 15 business days after the publication of this announcement, that is, on or before 12 November 2021. The Company currently expects that the circular will be despatched on or before 12 November 2021. If additional time is needed for the Company to prepare and finalize information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and make a further announcement regarding any delay in despatch of the circular in due course. It is currently expected that the written approval from China Health could be obtained prior to dispatch of the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares and other securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are generally open for business in Hong Kong, the PRC and the state of Delaware in the United States;
“Buyer”	Swiss Talent Group Limited (瑞杰集團有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party;
“China Health”	China Health Management Investment Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which directly holds approximately 56.77% shareholding in 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);
“Completion”	the completion of the Transaction;

“Completion Date”	the later of (a) fifteenth Business Day following the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and (b) 25 November 2021 or such other date as the parties to the Sale and Purchase Agreement may agree in writing;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration in the amount of US\$16,000,000 (equivalent to approximately HK\$124,000,000) payable by the Buyer to the Group for the transfer of Sale Shares and for the novation of the Novated Loans;
“controlling shareholder”	has the meaning ascribed thereto under Rule 1.01 of the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries, and where the context requires, excluding the Target Company after Completion;
“HKFRSs”	the Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Loan I”	the loan in an aggregate amount of US\$2,500,000 (equivalent to approximately HK\$19,375,000) owed by the Target Company to Tongfang Pharmaceutical;
“Loan II”	another loan in an aggregate amount of US\$2,500,000 (equivalent to approximately HK\$19,375,000) owed by the Target Company to Tongfang Pharmaceutical;

“Long Stop Date”	31 December 2021, or such other date as the parties to the Sale and Purchase Agreement may agree in writing;
“Novated Loans”	collectively the Loan I and the Loan II for an aggregate principal amount of US\$5,000,000 (equivalent to approximately HK\$38,750,000) provided by Tongfang Pharmaceutical (as lender) to the Target Company (as borrower) to be novated to the Buyer pursuant to the Novation Agreements;
“Novation Agreement I”	the novation agreement to be entered into by and among the Buyer, the Target Company, Tongfang Pharmaceutical, Shenzhen Warranty, Warranty Asset Management and the Company with respect to the novation of the Loan I;
“Novation Agreement II”	the novation agreement to be entered into by and among the Buyer, the Target Company and Tongfang Pharmaceutical with respect to the novation of the Loan II;
“Novation Agreements”	collectively the Novation Agreement I and the Novation Agreement II;
“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, and for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region of the People’s Republic of China;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 22 October 2021 entered into between the Seller, the Buyer and the Company in relation to the Transaction;
“Sale Shares”	9,500,000 shares of Series A Preferred Stock of the Target Company held by the Seller, comprising approximately 79.83% of the issued share capital of the Target Company, on an as-converted and fully-diluted basis and assuming that all the shares reserved under the equity plan of the Target Company have been issued;
“Seller”	Tongfang Konta Capital, L.P. a limited partnership incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company at the date of this announcement;
“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;
“Shenzhen Waranty”	Shenzhen Waranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司), a company established in the PRC and the indirect holding company of China Health;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Apros Therapeutics, Inc., a company incorporated in the United State and a direct non-wholly owned subsidiary of the Seller as at the date of this Announcement;
“Tongfang Pharmaceutical”	Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Transaction”	the transfer of the Sale Shares and the novation of the Novated Loans pursuant to the terms of the Sale and Purchase Agreement;
“US\$”	United States Dollars, the lawful currency of the United States;
“Waranty Asset Management”	Waranty Asset Management (Hong Kong) Limited (華融泰資產管理(香港)有限公司), a company incorporated in Hong Kong and the direct holding company of China Health; and
“%”	per cent.

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

Hong Kong, 22 October 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Chai Hongjie (Chairman), Mr. Huang Yu (President), Mr. Bai Pingyan 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 the purpose of this announcement, the exchange rate between US\$ and HK\$ is US\$1.00 = HK\$7.75.

* For identification purposes only