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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or other registered institution dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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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 AND NOTICE OF EGM

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 10 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 11 to 12 of this circular. A letter from Amasse Capital Limited, the Independent Financial Adviser, containing its advices to the Independent Board Committee and the Independent Shareholders in respect of the Shaanxi Construction Contract and the transaction contemplated thereunder, is set out on pages 13 to 21 of this circular.

A notice convening the EGM to be held at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Thursday, 9 September 2021 at 11:00 a.m. is set out on pages 35 to 37 of this circular. A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.tfkf.com.hk>). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES AT THE EGM

Please see page 1 of this circular for measures being taken by the Company at the EGM to prevent and control the spreading of the COVID-19, including:

- (1) compulsory body temperature checks
- (2) compulsory wearing of a surgical mask
- (3) no distribution of corporate gift or serving of refreshment

Any person who does not comply with the precautionary measures (1) and (2) above or is subject to any Hong Kong Government prescribed compulsory quarantine may be denied entry into the meeting venue, at the discretion of the Company as permitted by the laws of Hong Kong. The Company reminds the Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the meeting in person.

18 August 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic, the following precautionary measures will be implemented at the EGM to ensure the health and safety of attending Shareholders, staff and other stakeholders:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at the entrance of the meeting venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee is requested to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats. Please note that no masks will be provided at the meeting venue and each attendee should bring his/her own mask.
- (iii) No refreshment will be served, and there will be no corporate gift.
- (iv) Each attendee may be asked whether (a) he/she had traveled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed compulsory quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the accompanying form of proxy.

The Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attendees of the EGM and to comply with any requirements or recommendations of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following respective 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 Latest Practicable Date
“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
“COVID-19”	coronavirus disease 2019;
“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

DEFINITIONS

“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
“Latest Practicable Date”	12 August 2021, 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
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes 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 Share(s)

DEFINITIONS

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

* *For identification purpose only*

Reference to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chai Hongjie (*Chairman*)

Mr. Huang Yu (*President*)

Mr. Wei Bingzhang

Mr. Jiang Chaowen (*Chief Executive Officer*)

Registered Office:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Independent Non-Executive Directors:

Mr. Chan Sze Chung

Mr. Zhang Ruibin

Mr. Zhang Junxi Jack

Head office and principal place of business:

15th Floor

Allied Kajima Building

138 Gloucester Road

Wanchai, Hong Kong

18 August 2021

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 12 July 2021 in relation to the Shaanxi Construction Contract and the transaction contemplated thereunder. The purposes of this circular are to provide you with, among other things, (i) a letter from the Board containing 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) a notice of the EGM together with the form of proxy.

LETTER FROM THE BOARD

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).

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.

LETTER FROM THE BOARD

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 ("**Tendering Agent**"), being an Independent Third Party, to prepare the bidding document and administer the bidding process for the Shaanxi Production Base Project. The Tendering Agent has owned and obtained various qualifications, in particular Grade A qualification in cost management and consultation in construction projects* (工程造價諮詢甲級資質) which are relevant to the constructions in the PRC. It has over three hundred employees, including over a hundred qualified cost engineers. The relevant personnel of the Tendering Agent handling the tendering process are qualified cost engineers. Tenders were received from Shanxi Industrial and two other bidders, each of which is an Independent Third Party. Such tendering process was conducted through a scoring system based on criteria set out in the bidding documents, including (i) the bidding price; (ii) technical proposal; and (iii) corporate reputation and track record of the bidders. The bids were assessed by an evaluation committee comprising five members, four of which are independent construction experts (the "**Independent Experts**") (three of them are qualified senior engineers in the PRC) randomly selected from Shaanxi Construction Project Expert Database* (陝西省建設工程專家庫), which is established and maintained by the Shaanxi government, and the remaining one is a representative from Shaanxi Unisplendour. The estimated contract price of RMB166,000,000 offered by Shanxi Industrial is (a) in line with the bidding price offered by it in its tender documents; (b) approximately 0.36% higher than the lowest bidding price of RMB165,400,000 which is

LETTER FROM THE BOARD

considered to be insignificant; and (c) within the range of bidding price amongst the three tender documents received and therefore is not less favourable from the Independent Third Parties. Therefore although the contract price offered by Shanxi Industrial is not the lowest amongst the three bidders, considering that, among other things, (i) the proposal submitted by Shanxi Industrial was 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, Shanxi Industrial was rated first among the bidders under the tendering process. Accordingly, the Shaanxi Construction Contract was awarded to Shanxi Industrial.

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.

FINANCIAL EFFECTS OF THE SHAANXI CONSTRUCTION CONTRACT ON THE GROUP

The Company considers that there will not be any material effect on the earnings of the Group immediately after the execution of the Shaanxi Construction Contract. Since the contract price is expected to be funded by bank borrowings and internal resources of the Group, the cash and cash equivalents of the Group will be decreased while the liabilities of the Group will be increased, and the property, plant and equipment will be increased by approximately RMB166,000,000. Save for the above, there would be no material effect on the Group's assets and liabilities as a result of the transaction contemplated under the Shaanxi Construction Contract.

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.

LETTER FROM THE BOARD

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

As the highest application 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.

EGM

The EGM will be convened and held at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Thursday, 9 September 2021 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Shaanxi Construction Contract and the transaction contemplated thereunder. A notice convening the EGM is set out on pages 35 to 37 of this circular.

China Health (directly holding an aggregate of 3,172,778,000 Shares, representing approximately 56.77% of the entire issued share capital of the Company as at the Latest Practicable Date) 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.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the

LETTER FROM THE BOARD

EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

RECOMMENDATIONS

The Directors, including the independent non-executive Directors whose views are set out in the “Letter from the Independent Board Committee” in this circular after considering the advice from the Independent Financial Adviser, are of the view that although the Shaanxi Construction Contract is not entered into in the ordinary and usual course of business of the Company, the terms thereof and the transaction contemplated thereunder have been entered into on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and conducted to facilitate the manufacturing and sales of pharmaceutical products in the Group’s ordinary and usual course of business.

Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Shaanxi Construction Contract and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” set out on pages 11 to 12 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the “Letter from the Independent Financial Adviser” set out on pages 13 to 21 of this circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Tongfang Kontafarma Holdings Limited
Chai Hongjie
Chairman



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)

18 August 2021

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 18 August 2021 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

Under the Listing Rules, the transaction contemplated under the Shaanxi Construction Contract constitutes a major and connected transaction of the Company, and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Shaanxi Construction Contract and the transaction contemplated thereunder and to advise the Independent Shareholders as to (i) the fairness and reasonableness of the Shaanxi Construction Contract and the transaction contemplated thereunder; (ii) whether such transaction is on normal commercial terms and in the ordinary and usual course of business of the Company; (iii) whether such transaction is in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on such transaction. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 10 of the Circular and the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 21 of the Circular.

Having taken into account, among other things, the advice of the Independent Financial Adviser, we are of the opinion that, although the Shaanxi Construction Contract is not entered into in the ordinary and usual course of business of the Company, the terms thereof and the transaction contemplated thereunder are on normal commercial terms, fair

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and reasonable, in the interests of the Company and the Shareholders as a whole and conducted to facilitate the manufacturing and sales of pharmaceutical products in the Group's ordinary and usual course of business.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Shaanxi Construction Contract and the transaction contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Chan Sze Chung
*Independent non-executive
Director*

Mr. Zhang Ruibin
*Independent non-executive
Director*

Mr. Zhang Junxi Jack
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Shaanxi Construction Contract and the transaction contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

18 August 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Shaanxi Construction Contract and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Circular, of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 12 July 2021 (the “**Announcement**”) in respect of, among other things, the Shaanxi Construction Contract and the transaction contemplated thereunder.

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).

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the Shaanxi Construction Contract and the transaction contemplated thereunder. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as an independent financial adviser to the Company, the Independent Board Committee and the independent shareholders of the Company regarding the construction contracts and the transaction contemplated thereunder, details of which are set out in the circular of the Company dated 20 May 2021.

With regard to our independence from the Company, it is noted that, (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist 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; (ii) there was no relationships or interests between us and the Company, and/or its substantial shareholders and/or associates; and (iii) each of the engagements was handled independently as an individual task, accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, (i) the Announcement; (ii) the information contained or referred to in the Circular; and (iii) relevant public information. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry 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 and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Shaanxi Construction Contract and the transaction contemplated thereunder. We have reviewed and discussed with the Company on the information provided as well as sought and received confirmation from the Management that all information and representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Shaanxi Construction Contract and the transaction contemplated thereunder or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Shaanxi Construction Contract and the transaction contemplated thereunder. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. Background Information

(a) 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 in the PRC, and laboratory related products; and (ii) operating of fitness centres and provision of consultation services for fitness and health activities, and operating of 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.

(b) Reasons for and benefits of the 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 size 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. The Tendering Agent has owned and obtained various qualifications, in particular Grade A qualification in cost management and consultation in construction projects* (工程造價諮詢甲級資質) which are relevant to the constructions in the PRC. It has over three hundred employees, including over a hundred qualified cost engineers. The relevant personnel of the tendering agent handling the tendering process are qualified cost engineers. Tenders were received from Shanxi Industrial and two other bidders, each of which is an Independent Third Party. Such tendering process was conducted through a scoring system based on criteria set out in the bidding documents, including (i) the bidding price; (ii) technical proposal; and (iii) corporate reputation and track record of the bidders. The bids were assessed by an evaluation committee comprising five members, four of which are independent construction experts (three of them are qualified senior engineers in the PRC) randomly selected from Shaanxi Construction Project Expert Database* (陝西省建設工程專家庫), which is established and maintained by the Shaanxi government, and the remaining one is a representative from Shaanxi Unisplendour. The estimated contract price of RMB166,000,000 offered by Shanxi Industrial is (a) in line with the bidding price offered by it in its tender documents; (b) approximately 0.36% higher than the lowest bidding price of RMB165,400,000 which is considered to be insignificant; and (c) within the range of bidding price amongst the three tender documents received and therefore is not less favourable from the Independent Third Parties. Therefore although the contract price offered by Shanxi Industrial is not the lowest amongst the three bidders, considering that, among other things, (i) the proposal submitted by Shanxi Industrial was 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,

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procurement and construction and design projects for Pharmaceutical industry, Shanxi Industrial was rated first among the bidders under the tendering process. Accordingly, the Shaanxi Construction Contract was awarded to Shanxi Industrial.

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.

2. The Shaanxi Construction Contract

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" above. 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.

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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.

Based on our discussion with the Management, we are given to understand that the Group conducted a tender to determine the contractor for the Shaanxi Production Base Project. As advised by the Management, the tender was conducted through a tendering agent, which is an Independent Third Party, appointed by the Group. The Tendering Agent prepared, on behalf of the Group, a bidding document (the “**Bidding Document**”) in respect of the Shaanxi Production Base Project for the purpose of the tendering. We have reviewed the Bidding Document and noted that the Bidding Document set out the detailed and comprehensive information, including but not limited to the tendering procedure, the project scope, the required completion timing, the qualification of the bidders, the requirements and criteria on setting the bidding price, the assessment and determination of the winning bidder. During the tendering, the Group received three tender documents (the “**Tender Documents**”), of which one from Shanxi Industrial and two from Independent Third Parties. Pursuant to the Bidding Document, the winning bidder shall be assessed by an evaluation committee (the “**Evaluation Committee**”) through a comprehensive assessment based on three aspects: (i) bidding price; (ii) technical proposal (taking into account of, among others, (a) overall configuration of the construction; (b) detailed designs and workplans of the constructions; (c) construction management competency and experience; (d) construction schedules; and (e) quality assurance); and (iii) corporate reputation and track records (taking into account of, among others, (a) experience in pharmaceutical construction design or engineering procurement constructions; (b) experience in sizeable industrial factories and plants constructions; (c) awards promulgated by China Association of Construction Enterprise Management* (中國施工企業管理協會) and China Construction Industry Association; (d) grading in engineering design (city utility); and (e) qualifications of the engineers) (the “**Assessment**”) and determined by selecting the one who scored the highest average mark under the Assessment. As advised by the Management, the Evaluation Committee was comprised of five members, four of which are independent construction experts randomly selected from Shaanxi Construction Project Expert Database* (陝西省建設工程專家庫), which is established and maintained by the Shaanxi government, and the remaining one is a representative from Shaanxi Unisplendour. As further advised by the Management, three Independent Experts are qualified senior engineers in the PRC. Under the Assessment, each of the members of the Evaluation Committee will individually assess and score the Tender Documents and the winning bidder was determined by the one who scored the highest average marks given by the members of the Evaluation Committee. We have obtained and reviewed a result report (the “**Result Report**”) prepared by the Evaluation Committee and noted that (i) the bidding price under the Tender Documents from Shanxi Industrial was RMB166,000,000 and from the two Independent Third Parties

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were RMB165,400,000 and RMB175,000,000 respectively; and (ii) the Evaluation Committee confirmed that all the three Tender Documents had fulfilled the requirements as set out in the Bidding Document and recommended Shanxi Industrial as it scored the highest average marks under the Assessment. We have also reviewed the Tender Documents and noted that the bidding prices as set out in the Tender Documents and the Result Report were consistent.

We have been provided and have reviewed a total of 5 tender agent agreements which appointed the Tendering Agent to conduct tenders for the construction projects in the PRC with project investment cost ranging from approximately RMB13,000,000 to RMB1,150,000,000. Further, after discussion with the Company, we are given to understand that (i) the Tendering Agent has owned and obtained various qualifications, in particular Grade A qualification in cost management and consultation in construction projects* (工程造價諮詢甲級資質) which are relevant to the constructions in the PRC; and (ii) the relevant personnel handling the tender process are qualified cost engineers in the PRC who has expertise in construction cost management. Based on the above, we are of the view that (i) the Tendering Agent and the relevant personnel hold certain construction related qualifications; and (ii) the Tendering Agent has past experience in conducting tenders for construction projects, therefore, we concur with the Management's view that the Tendering Agent is an qualified and professional agent to conduct tender for the Company.

Having considered that (i) the tender is conducted by an independent tendering agent; (ii) the winning bidder (a) is assessed by the Evaluation Committee with four out of five members are the Independent Experts randomly selected and (b) is determined by the highest average marks assessed by each of the members of the Evaluation Committee under the Assessment; and (iii) all the bidders fulfilled the requirements under the tender, of which two out of three are Independent Third Parties, we consider that the tender process is fair and reasonable.

In view that (i) Shanxi Industrial scored the highest average marks under the Assessment through a comprehensive assessment as described above under the tendering process and therefore the Shaanxi Construction Contract was awarded to Shanxi Industrial; and (ii) the estimated total contract sum of RMB166,000,000, which is (a) in line with the bidding price offered by Shanxi Industrial in its Tender Document; (b) approximately 0.36% higher than the lowest bidding price of RMB165,400,000 which is considered to be insignificant; and (c) within the range of the bidding price among the Tender Documents and therefore is not less favourable from the Independent Third Parties, we consider the aforesaid total contract sum is fair and reasonable.

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RECOMMENDATION

Having considered the above principal factors and reasons, we consider that although the Shaanxi Construction Contract and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms thereof and the transaction contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and conducted to facilitate the manufacturing and sales of pharmaceutical products in the Group's ordinary and usual course of business. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the Shaanxi Construction Contract and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Stephen Lau
Director

Mr. Stephen Lau is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 9 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

- (i) for the year ended 31 December 2020 has been disclosed on pages 96 to 308 of the Company's 2020 annual report published on 26 April 2021;
- (ii) for the year ended 31 December 2019 has been disclosed on pages 93 to 288 of the Company's 2019 annual report published on 14 May 2020; and
- (iii) for the year ended 31 December 2018 has been disclosed on pages 91 to 288 of the Company's 2018 annual report published on 29 April 2019.

The aforesaid annual reports of the Company are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.tfkf.com.hk>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2021 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the details of the Group's indebtedness and contingent liabilities (unaudited) were as follows:

Bank and other borrowings

As at 30 June 2021, the Group had outstanding bank and other borrowings of approximately HK\$235,752,000. The borrowings comprised (i) unsecured and unguaranteed bank and other borrowings of approximately HK\$38,265,000; (ii) unsecured and guaranteed bank and other borrowings of approximately HK\$48,403,000; (iii) secured and guaranteed bank and other borrowings of approximately HK\$43,203,000; and (iv) secured and unguaranteed bank and other borrowings of approximately HK\$105,881,000.

The aforesaid secured bank borrowings were secured by the Group's right-of-use assets, buildings, pledged bank deposits, trade receivables and the assets of a subsidiary as at 30 June 2021.

Lease liabilities

As at 30 June 2021, the Group had outstanding lease liabilities of approximately HK\$522,423,000. The lease liabilities of (i) approximately HK\$5,099,000 were charged over the leased assets and unguaranteed; and (ii) remaining HK\$517,324,000 were unsecured and unguaranteed.

Amounts due to related parties

As at 30 June 2021, the Group had outstanding amounts due to related parties of approximately HK\$60,701,000 which were unguaranteed and unsecured.

Contingent liabilities

As at 30 June 2021, the Group had the following contingent liabilities arising from incidents as disclosed in the 2020 audited consolidated financial statements of the Company.

In August 2019, the Company was served a writ of summons (the “**Writ**”) filed by Mr. Patrick John Wee Ewe Seng (“**Mr. PJW**”) and Active Gains Universal Limited (“**Active Gains**”) as the plaintiffs (collectively as the “**Plaintiffs**”) against the Company and Fester Global Limited (“**Fester Global**”), a wholly-owned subsidiary of the Company, as the defendants in the High Court of Hong Kong (the “**Legal Proceedings**”) regarding certain arrangements under the sale and purchase agreement of acquisition of 51% equity interest in TFKT True Holdings (“**True Cayman**”) (“**SPA**”). The Group has been vigorously defending and rejecting the Plaintiffs’ claims. In January 2021, the Group has enforced its right under a share charge agreement since Active Gains has failed to compensate the Group in respect of the profit guarantee shortfalls under the SPA. 10,000 shares in True Cayman charged in favour of Fester Global were transferred to Fester Global as partial settlement of the amounts due and payable under the profit guarantee arrangement. Subsequently, the Group issued a Counterclaim against the Plaintiffs to recover the balance of the profit guarantee shortfalls, and in response, the Plaintiffs filed their Amended Reply, Defence to Counterclaim and Counterclaim to Counterclaim. The Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed up to the date of this Circular. Based on the opinion of the management of the Company in consideration of the latest development, the possibility of any significant economic outflow in relation to the Legal Proceedings is remote.

In March 2021, Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) (“**Chongqing Kangle**”), a non-wholly owned subsidiary of the Company, received a court summons* (傳票) attaching a statement of civil claim* (民事起訴狀) (the “**Shanghai Legal Proceedings**”) from the Shanghai Xuhui District People’s Court* (上海市徐匯區人民法院) in relation to the claim made by Shanghai Haixin Pharmaceutical Co., Ltd.* (上海海欣醫藥股份有限公司) (“**Shanghai Haixin**”) against Chongqing Kangle as defendant for the alleged non-performance of a cooperation agreement on project for Hydroxychloroquine Sulfate* (硫酸羥氯喹項目合作協議) signed on 19 May 2011 between Chongqing Kangle and Shanghai Haixin (the “**Cooperation Agreement**”). Shanghai Haixin sought for court order to terminate the Cooperation Agreement, and claimed against Chongqing Kangle for the damages in the amount of RMB49,000,000 and the costs incurred in connection with the Shanghai Legal Proceedings. The Company is currently seeking legal advice in relation to the Shanghai Legal Proceedings and intends to vigorously defend Shanghai Haixin’s claims. Based on the opinion of the management of the Company in consideration of the latest development, the possibility of any significant economic outflow in relation to the Shanghai Legal Proceedings is remote.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables, at 30 June 2021, the Group did not have any debt securities issued or outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group and the effect of the Shaanxi Construction Contract, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this Circular.

4. MATERIAL ADVERSE CHANGE

Save and except for information disclosed in the announcement of the Company dated 6 August 2021, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2020, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is 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.

As stated in the paragraph headed “Reasons for and Benefits of Entering into of the Shaanxi Construction Contract” in the Letter from the Board, the Board considers 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. Given the accreditation of the Group in drug manufacturing and the increasing public awareness in health and fitness after the outbreak of the COVID-19 pandemic, the Company strongly believes its pharmaceutical business and fitness business have great synergies and would enable the Company to strategically focus on health-related businesses. The Company is optimistic about the future prospect and growth potential of the pharmaceutical business and fitness business and expects that such businesses will continue to be the driver of the sustainable growth of the Group going forward.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars 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 herein or this document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Interests in associated corporation:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest of associated corporation
Jiang Chaowen ^(Note)	SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京)生物技術有限公司) ("SPF")	Beneficial owner	5.47%

Note:

As at the Latest Practicable Date, Mr. Jiang Chaowen owned 5.47% interests in the registered capital of SPF, an indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in the Shares or the underlying Shares or debentures of the Company or any of 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 and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and chief executives of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholders	Capacity	Long position	
		Number of Shares interested	Approximate percentage of issued Shares
China Health	Beneficial owner ^(Note 1)	3,172,778,000	56.77%
Waranty Assets Management (HK) Limited (“ Waranty Hong Kong ”)	Interest in a controlled corporation ^(Note 2)	3,172,778,000	56.77%
Shenzhen Waranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司) (“ Shenzhen Waranty ”)	Interest in a controlled corporation ^(Note 3)	3,172,778,000	56.77%
Shanxi Construction	Interest in a controlled corporation ^(Note 4)	3,172,778,000	56.77%

Name of substantial Shareholders	Capacity	Long position	
		Number of Shares interested	Approximate percentage of issued Shares
Ningbo Free Trade Zone Sanjin Guotou Private Equity Fund Partnership Enterprise (Limited Partnership)* (寧波保稅區三晉國投股權投資基金合夥企業(有限合夥)) (“ Sanjin Guotou ”)	Interest in a controlled corporation <i>(Note 5)</i>	3,172,778,000	56.77%
Shanxi Province Expressway Group Limited Liability Company* (山西省高速公路集團有限責任公司) (“ Shanxi Expressway ”)	Interest in a controlled corporation <i>(Note 6)</i>	3,172,778,000	56.77%
Shanxi Transportation Holdings Group Co., Ltd.* (山西交通控股集團有限公司) (“ Shanxi Transportation ”)	Interest in a controlled corporation <i>(Note 7)</i>	3,172,778,000	56.77%
Shanxi State-owned Capital Operation Co., Ltd.* (山西省國有資本運營有限公司) (“ State-owned Capital Operation Co. ”)	Interest in a controlled corporation <i>(Note 8)</i>	3,172,778,000	56.77%
Shanxi Government Commission	Interest in a controlled corporation <i>(Note 9)</i>	3,172,778,000	56.77%
THTF Energy-Saving Holdings Limited (“ THTF Energy-Saving ”)	Beneficial owner <i>(Note 10)</i>	513,994,000	9.20%

Name of substantial Shareholders	Capacity	Long position	
		Number of Shares interested	Approximate percentage of issued Shares
Resuccess Investments Limited (“Resuccess”)	Interest in a controlled corporation <i>(Note 11)</i>	513,994,000	9.20%
Tsinghua Tongfang Co., Ltd.* (同方股份有限公司) (“Tsinghua Tongfang”)	Interest in a controlled corporation <i>(Note 12)</i>	513,994,000	9.20%

Notes:

- The figure refers to the legal and beneficial interests of China Health in 3,172,778,000 Shares.
- Waranty Hong Kong owns 100% interests in the issued share capital of China Health and is therefore deemed to have an interest in the Shares in which China Health is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- Shenzhen Waranty, through its wholly-owned subsidiary, namely Waranty Hong Kong, owns 100% interests in the issued share capital of China Health and is therefore deemed to have an interest in the Shares in which China Health is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- Shanxi Construction owns 46.40% interests in the registered capital of Shenzhen Waranty and is therefore deemed to have an interest in the Shares in which Shenzhen Waranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- Sanjin Guotou owns 45.50% interests in the registered capital of Shenzhen Waranty and is therefore deemed to have an interest in the Shares in which Shenzhen Waranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- Shanxi Expressway owns 46.38% interests in the registered capital of Sanjin Guotou and is therefore deemed to have an interest in the Shares in which Sanjin Guotou is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- Shanxi Transportation owns 100% interests in the registered capital of Shanxi Expressway and is therefore deemed to have an interest in the Shares in which Shanxi Expressway is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
- State-owned Capital Operation Co. owns 90% interests in the registered capital of Shanxi Construction, 90% interests in the registered capital of Shanxi Transportation and 46.38% interests in the registered capital of Sanjin Guotou respectively. State-owned Capital Operation Co. is therefore deemed to have, via Shanxi Construction, Shanxi Transportation and Sanjin Guotou, an interest in the Shares in which Shenzhen Waranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.

9. Shanxi Government Commission owns 100% interests in the registered capital of State-owned Capital Operation Co. and is therefore deemed to have an interest in the Shares in which State-owned Capital Operation Co. is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
10. The figure refers to the legal and beneficial interests of THTF Energy-Saving in 513,994,000 Shares.
11. Resuccess owns 100% interests in the issued share capital of THTF Energy-Saving and is therefore deemed to have an interest in the Shares in which THTF Energy-Saving is interested. The figure refers to the same interests of THTF Energy-Saving in the Shares under the SFO.
12. Tsinghua Tongfang, through its wholly-owned subsidiary, namely Resuccess, owns 100% interests in the issued share capital of THTF Energy-Saving and is therefore deemed to have an interest in the Shares in which THTF Energy-Saving is interested. The figure refers to the same interests of THTF Energy-Saving in the Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, Mr. Chai Hongjie, an executive Director, was also a director of Shenzhen Warranty, Mr. Huang Yu, an executive Director, was also a director of Warranty Hong Kong and Mr. Wei Bingzhang, an executive Director, was also an employee of Shanxi Construction, each of which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2020 (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.

(c) Interests in competing business

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date:

Mr. Jiang Chaowen holds directorship in and has interests in the share capital of Chongqing Jewelland Pharmaceutical Co., Ltd.* (重慶健能醫藥開發有限公司), which principally engages in the wholesale of chemical Active Pharmaceutical Ingredients and its preparations, antibiotic Active Pharmaceutical Ingredients and its preparations, biochemical drugs and proprietary Chinese medicines. In addition, he holds directorship in Si Chuan Jewelland Pharmaceutical Co., Ltd.* (四川健能製藥有限公司), which principally engages in the production and sales of tablets, medical technology development, and technology transfer and consultations. The business of the abovementioned companies is likely to compete with the pharmaceutical business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (not being the independent non-executive Directors) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment (other than statutory compensation).

5. LITIGATION

- (1) On 13 August 2019, the Company was served the Writ filed by Mr. PJW and Active Gains as the plaintiffs against the Company and Fester Global, a wholly-owned subsidiary of the Company, as the defendants under High Court Action No. 1469/2019 in the High Court of Hong Kong.

The Plaintiff's allegations in the Writ are related to the acquisition by Fester Global of 51% equity interest in True Cayman pursuant to the SPA dated 6 May 2017 made between Fester Global (as purchaser), the Company (as purchaser's guarantor), Active Gains (being an entity controlled by Mr. PJW as vendor), and Mr. PJW (as vendor's warrantor). Details of the said acquisition were disclosed in

the announcements and circular of the Company respectively dated 7 May 2017, 29 May 2017 and 28 July 2017. The Plaintiffs claim for, among others, the following:

- (i) payment of balance of the purchase price, being US\$3,500,000;
- (ii) a declaration that the profit guarantee given by Active Gains and Mr. PJW in favour of the Company and Fester Global in respect of True Cayman and its subsidiaries (the “**True Cayman Group**”) for the financial year ended 31 December 2017 had been met; and
- (iii) a declaration that the profit guarantee given by Active Gains and Mr. PJW in favour of the Company and Fester Global in respect of the True Cayman Group for the financial year ended 31 December 2018 and 2019 ceases to have effect and that Active Gain be entitled to exercise the put option so as to sell certain shareholding in True Cayman to Fester Global according to the terms of the SPA.

The Company has filed the Defence to the High Court of Hong Kong on 12 December 2019 and is currently seeking legal advice in relation to the Legal Proceedings and intends to vigorously defend and reject the Plaintiff’s claims. Further, the share charge dated 29 May 2017 (the “**Share Charge**”) executed by Active Gains in favour of Fester Global in relation to the charge of 10,000 shares in True Cayman was enforced by Fester Global on 29 January 2021. The enforcement of the Share Charge by Fester Global has 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 Group pursuant to the SPA, details of which were disclosed in the announcement of the Company dated 1 February 2021.

Subsequently, the Company issued a Counterclaim against the Plaintiffs to recover the balance of the shortfall in the said guaranteed profit, and in response, the Plaintiffs filed their Amended Reply, Defence to Counterclaim and Counterclaim to Counterclaim to the High Court of Hong Kong.

The Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed as at the Latest Practicable Date.

- (2) In March 2021, Chongqing Kangle, an indirect non-wholly owned subsidiary of the Company, received a court summons* (傳票) attaching a statement of civil claim* (民事起訴狀) from the Shanghai Xuhui District People’s Court* (上海市徐匯區人民法院) in relation to the claim made by Shanghai Haixin against Chongqing Kangle as defendant for the alleged non-performance of a cooperation agreement on project for Hydroxychloroquine Sulfate* (硫酸羥氯喹項目合作協議) signed on 19 May 2011 between Chongqing Kangle and Shanghai Haixin. Shanghai Haixin sought for court order to terminate the Cooperation Agreement, and claimed against Chongqing Kangle for the damages in the amount of RMB49,000,000 and the costs incurred in connection with the

Shanghai Legal Proceedings. The Company is currently seeking legal advice in relation to the Shanghai Legal Proceedings and intends to vigorously defend Shanghai Haixin's claims.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business of the Group) had been entered into by members of Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) a sale and purchase agreement dated 13 November 2020 entered into between Fortunate Gold Limited (as vendor), Minyi Holding Limited (as purchaser), the Company (as vendor's warrantor) and Real Jade Limited (as target company) in relation to the disposal of the entire interest in Real Jade Limited at a consideration of HK\$349,648,865.3, details of which are set out in the announcement of the Company dated 13 November 2020;
- (b) a land use rights assignment contract dated 22 January 2021 entered into between Shaanxi Unisplendour and Natural Resources and Planning Bureau of Baoji Hi-tech Industrial Development District* (寶雞高新技術產業開發區自然資源和規劃局) in relation to the acquisition of land use rights of a parcel of land located at Shaanxi Province of the PRC at a consideration of RMB25,700,000, details of which are set out in the announcement of the Company dated 22 January 2021; and
- (c) a construction contract and a supplemental agreement both dated 20 April 2021 (the "**Chongqing Construction Contracts**") entered into between Chongqing Kangle and Beijing Qingkong Zhongchuang Construction Co., Ltd.* (北京清控中創工程建設有限公司) in relation to the construction project of a production based located at Chongqing of the PRC at the contract price of RMB34,936,651.39 (subject to adjustments), details of which are set out in the announcement and circular of the Company dated 20 April 2021 and 20 May 2021, respectively.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this Circular:

Name	Qualification
Amasse Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Amasse Capital Limited:

- (i) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (ii) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, the date to which the latest published audited financial statements of the Group was made up; and
- (iii) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter or report and reference to its name in the form and context in which it appears.

8. GENERAL

The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office and principal place of business of the Company is situated at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

The principal share registrar of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The company secretary of the Company is Ms. Si Tou Man Wai, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia.

The English text of this Circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on a business day in Hong Kong at the principal place of business of the Company in Hong Kong at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, from the date of this Circular up to and including 9 September 2021, being the date of the EGM:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2020;
- (c) copies of the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (d) the Shaanxi Construction Contract;
- (e) the Letter from the Board, the text of which is set out in the “Letter from the Board” in this Circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the “Letter from the Independent Financial Adviser” in this Circular;
- (g) the written consent referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix;
- (h) the circular of the Company dated 20 May 2021 in relation to the Chongqing Construction Contracts; and
- (i) this Circular.

* *For identification purpose only*

NOTICE OF EGM



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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Tongfang Kontafarma Holdings Limited (the “**Company**”) will be held at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Thursday, 9 September 2021 at 11:00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated 18 August 2021.

ORDINARY RESOLUTION

“THAT

- (a) the construction contract dated 12 July 2021 (the “**Shaanxi Construction Contract**”) entered into between Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司) (“**Shaanxi Unisplendour**”) (as principal), an indirect non-wholly owned subsidiary of the Company, and Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司) (“**Shanxi Industrial**”) (as contractor) pursuant to which Shaanxi Unisplendour agreed to engage Shanxi Industrial as the general contractor to carry out the construction works for 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), at the estimated contract price of RMB166,000,000 (subject to adjustments), and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified in all respects; and

NOTICE OF EGM

- (b) any one of the directors of the Company (the “**Director**”) be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his/her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Shaanxi Construction Contract and the transaction contemplated thereunder.”

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

Hong Kong, 18 August 2021

Registered Office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business:

15th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf, subject to the articles of association of the Company. A proxy need not be a member of the Company, but must be present to represent the member. A member who is the holder of two or more shares of the Company (the “**Share(s)**”) may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

NOTICE OF EGM

4. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such Share, be entitled alone to vote in respect thereof.
5. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
6. The register of members of the Company will be closed from Friday, 3 September 2021 to Thursday, 9 September 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order for a member to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration by 4:30 p.m. on Thursday, 2 September 2021.
7. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted, or “extreme conditions” caused by super typhoons exist, or a black rainstorm signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will be postponed and members will be informed of the date, time and venue of the postponed EGM by a supplemental notice posted on the respective websites of the Stock Exchange and the Company.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the EGM and where conditions permit, the EGM will be held as scheduled.

The EGM will be held as scheduled when an amber or red rainstorm signal is in force. After considering their own situations, members should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

8. References to time and dates in this notice are to Hong Kong times and dates.

* *For identification purpose only*