THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 the Company, 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.

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 DISPOSAL OF 55.43% EQUITY INTEREST IN THE TARGET COMPANY 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 12 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Amasse Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Transaction, is set out on pages 15 to 32 of this circular.

A notice convening the EGM to be held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 20 June 2022 at 11:00 a.m. is set out on pages 47 to 49 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 the Stock Exchange (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 precautionary 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) appropriate distancing and spacing in line with the guidance from the Hong Kong Government and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

(4) no distribution of corporate gift or serving of refreshment

Any person who does not comply with the precautionary measures (1) and (3) above or is subject to any Hong Kong Government prescribed compulsory quarantine may be denied entry into the EGM 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 EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

26 May 2022

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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 EGM venue. Any person with a body temperature above the reference range quoted by the Department of Health of Hong Kong from time to time, or is exhibiting flu-like symptoms may be denied entry into the EGM venue or be required to leave the EGM venue.

(ii) Each attendee is requested to wear a surgical face mask throughout the meeting and inside the EGM venue, and to maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and each attendee should bring his/her own mask.

(iii) Each attendee is requested to keep appropriate distancing and spacing in line with the guidance from the Hong Kong Government and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

(iv) No refreshment will be served, and there will be no corporate gift.

(v) 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 EGM venue or be required to leave the EGM venue.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the meeting instead of attending the EGM 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 other attendees of the EGM and to comply with any requirements or recommendations of any government agencies of Hong Kong from time to time.

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

In this circular, unless the context otherwise requires, the following expressions have the following respective meanings:

"associate(s)"	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 Main Board of the Stock Exchange (Stock Code: 1312)
"Completion Date"	the date on which the registration of changes with the industry and commerce administration authority in relation to the Sale Share of the Target Company is completed
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"Effective Date"	the date on which the Equity Transfer Agreement and the Transaction have been approved by the Independent Shareholders at the EGM in compliance with the Listing Rules
"EGM"	the extraordinary general meeting of the Company to be convened and held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 20 June 2022 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the Transaction
"Equity Transfer Agreement"	the equity transfer agreement dated 6 April 2022 entered into between Tongfang Pharmaceutical (as the vendor), Shenzhen Waranty (as the purchaser) and the Target Company in respect of the Transaction
"Group"	the Company and its subsidiaries, and where the context required, excluding the Target Group after the completion of the Transaction

"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, being all three independent non-executive Directors, which is formed to advise the Independent Shareholders on the Equity Transfer Agreement and the Transaction
"Independent Financial Adviser"	Amasse Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the Transaction
"Independent Shareholders"	Shareholders who are not interested or involved in the Equity Transfer Agreement and the Transaction
"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"	25 May 2022, 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
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	55.43% equity interest in the Target Company
"Share(s)"	ordinary share(s) of HK$0.002 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Shenzhen Waranty"	Shenzhen Waranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司), a limited company established in the PRC and the indirect holding company of China Health

"SPF Suzhou"	SPF (Suzhou) Biotechnology Co., Ltd.* (斯貝福(蘇州)生物技術有限公司), a limited company established in the PRC and a direct wholly-owned subsidiary of the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京)生物技術有限公司), a limited company established in the PRC and a direct non-wholly owned subsidiary of Tongfang Pharmaceutical as at the Latest Practical Date
"Target Group"	collectively the Target Company and SPF Suzhou
"Tongfang Pharmaceutical"	Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司), a limited company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Transaction"	the transaction contemplated under the Equity Transfer Agreement
"working day(s)"	the PRC statutory working days other than Saturday, Sunday and statutory holidays
"%"	per cent.

* *For identification purpose only*

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

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. Bai Pingyan *(Chairman)*
Mr. Chai Hongjie
Mr. Huang Yu *(President)*
Mr. Jiang Chaowen *(Chief Executive Officer)*

Independent Non-Executive Directors:
Mr. Chan Sze Chung
Mr. Zhang Ruibin
Mr. Zhang Junxi Jack

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

Head office and principal place of business:
Room 12A09–12A20, 12A/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 55.43% EQUITY INTEREST IN THE TARGET COMPANY AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 6 April 2022 in relation to, *inter alia*, the Equity Transfer Agreement and the Transaction. The purposes of this circular are to provide you with, among other things, (i) a letter from the Board containing further information on the Equity Transfer Agreement and the Transaction; (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.

THE EQUITY TRANSFER AGREEMENT

On 6 April 2022 (after trading hours), Tongfang Pharmaceutical, a wholly-owned subsidiary of the Company (as the vendor), Shenzhen Waranty, a controlling shareholder of the Company (as the purchaser) and the Target Company entered into the Equity Transfer Agreement in respect of the Transaction.

The principal terms of the Equity Transfer Agreement are set out below:

Date: 6 April 2022

Parties:

(i) Tongfang Pharmaceutical, as the vendor;

(ii) Shenzhen Waranty, as the purchaser; and

(iii) the Target Company.

Subject Matter

Under the Equity Transfer Agreement, Tongfang Pharmaceutical has conditionally agreed to sell, and Shenzhen Waranty has conditionally agreed to purchase the Sale Share, representing 55.43% equity interest in the Target Company held by Tongfang Pharmaceutical for consideration of RMB159,675,300 (subject to interest). As at the Latest Practical Date, SPF Suzhou is a direct wholly-owned subsidiary of the Target Company. For more information on the Target Group, please refer to the section headed "INFORMATION OF THE TARGET GROUP".

Consideration

The consideration shall be paid by Shenzhen Waranty in the following manner:

(1) 40% of the consideration (i.e. RMB63,870,120) shall be paid by Shenzhen Waranty within 5 working days of the Effective Date (the "**Initial Consideration**"). In particular, an earnest money in the amount of RMB2,000,000 paid by Shenzhen Waranty shall form part of the Initial Consideration;

(2) 60% of the consideration (i.e. RMB95,805,180) shall be settled within 5 working days of the Completion Date (the "**Remaining Consideration**"); and

(3) Shenzhen Waranty shall also pay the interest for the Remaining Consideration for the period from the sixth working day from the Effective Date up to the day immediately before Tongfang Pharmaceutical actually receives the Remaining Consideration at the one-year loan prime rate implemented on the sixth working day from the Effective Date.

The consideration payable by Shenzhen Waranty was arrived at by a tender process conducted by the Group in relation to the disposal of the Sale Share where Shenzhen Waranty's bidding price was the highest among the tenders received through the tendering process. For details of the tender process, please refer to the section headed "REASONS FOR THE TRANSACTION" below.

Condition Precedent

Completion of the Transaction shall be conditional upon the Independent Shareholders having approved the Equity Transfer Agreement and the Transaction.

Completion

Completion shall take place on the Completion Date. Shenzhen Waranty shall complete the required procedures for the transfer of the Sale Share with the industry and commerce administration authority with the cooperation from Tongfang Pharmaceutical within 20 working days after the Initial Consideration has been paid.

INFORMATION OF THE GROUP, TONGFANG PHARMACEUTICAL AND SHENZHEN WARANTY

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.

Tongfang Pharmaceutical is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company. Tongfang Pharmaceutical is principally engaged in the production and sales of chemical generic medicines in the PRC.

Shenzhen Waranty is a company established in the PRC with limited liability, which is (through China Health) the indirect controlling shareholder of the Company. Shenzhen Waranty is principally engaged in asset management and investment consultancy in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Group consists of the Target Company and its subsidiary, namely, SPF Suzhou. Both the Target Company and SPF Suzhou are companies established in the PRC with limited liability. The Target Group is principally engaged in the sales of laboratory related products.

Set out below are certain consolidated financial information of the Target Group prepared under accounting principles generally accepted in the PRC:

	For the year ended 31 December 2020 (audited) *Approximately* *(RMB'000)*	For the year ended 31 December 2021 (audited) *Approximately* *(RMB'000)*
Revenue	87,931	131,434
Net profit before taxation	11,079	34,348
Net profit after taxation	9,119	30,966

Based on the audited consolidated financial information of the Target Group, the total assets value and net assets value of the Target Group were approximately RMB154,498,000 and RMB104,105,000 respectively as at 31 December 2021.

FINANCIAL EFFECTS OF THE TRANSACTION

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

After taking into account the consideration for the Transaction of RMB159,675,300, the carrying value of the disposed net assets attributable to the Group as at 28 February 2022 and the related transaction costs, the Group expects to record an estimated gain on disposal of subsidiaries of approximately RMB47,482,000 as a result of the Transaction at the completion. The actual gain as a result of the Transaction to be recorded by the Group is subject to audit to be performed by the auditor of the Company upon completion.

The Target Company, which is owned as to 55.43% equity interest by Tongfang Pharmaceutical, was acquired by the Group through acquisition of 60% equity interest in Tongfang Pharmaceutical in July 2016. The Group further acquired the remaining 40% equity interest in Tongfang Pharmaceutical and such acquisition was completed in May 2018. SPF Suzhou was established as a wholly-owned subsidiary of the Target Company in January 2019, and therefore it is not the subject matter of the abovementioned acquisitions. Since the acquisition of the Target Company, there was no impairment made against or capital injection/expenditure made by the Group toward the Target Group. Accordingly, no adjustment of the estimated gain from the Transaction is made in this regard.

In consideration of the above factors and in view that the consideration was determined with reference to a tender process, the Board believes that the consideration for the Transaction is fair and reasonable and in the interests of the Company as a whole.

REASONS FOR THE TRANSACTION

The Transaction aligns with the Group's current plan to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group. To be more specific, the Group intends to focus its pharmaceutical business on (i) production and sales of chemical generic drugs and prescription drugs undertaken by Tongfang Pharmaceutical; (ii) development, manufacturing and distribution of Chinese medicines, which is engaged by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) ("**Shaanxi Life Care**") and its subsidiary, Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司) ("**Shaanxi Unisplendour**"); and (iii) manufacturing and distribution of active pharmaceutical ingredients and intermediates active pharmaceutical ingredients operated by Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) ("**Chongqing Kangle**"). Together with the fitness business of the Group, the Board believes that the Group's strategy to focus on health-related business will continue to be the driver of sustainable growth of the Group going forward.

On the other hand, the Target Group, which is principally engaged in sales of laboratory related products, faces increasingly intense industry competition in recent years. The Company believes that the Transaction represents a good opportunity to realize its investment in the Target Group as the continuing pressure from competitors of the Target Group will compel it to offer lower prices to its customers, constraining its development with serious capital pressure. Therefore, the Board is of the view that the Transaction will not have material impact on the business of the Group as the activities of the Target Group is not the core in pharmaceutical segment according to the Group's long-term business strategy, and the Transaction will enable the Group to increase its working capital and strengthen the overall financial position of the Group.

The proceeds from the Transaction of approximately RMB160,000,000 is intended to be used in the following manner:

(i) approximately RMB40,000,000 will be used by Tongfang Pharmaceutical in conducting research and development of new products mainly focusing on local anesthesia and gynecologically purposes;

(ii) approximately RMB20,000,000 will be utilized by Tongfang Pharmaceutical to prepare its existing products to pass in the generic drug quality and therapeutic effect consistency assessment;

(iii) approximately RMB31,000,000 will be used to pay up the registered capital of Shaanxi Life Care, which will in turn be applied in the construction of a new production base in the hi-tech industrial development area in Baoji, Shaanxi Province, the PRC. The new production base, which is expected to be put into use in 2023, would enhance the Group's production capacity of Chinese medicines and allow the Group to expand its product portfolio;

(iv) approximately RMB30,000,000 will be used by Chongqing Kangle in optimizing the operation and manufacturing of sulfonamides with integrated environmental protection technology and resources. As at the Latest Practicable Date, Chongqing Kangle has reached preliminary understanding with business partners in the cooperation of mass production and sales of sulfonamides; and

(v) approximately RMB39,000,000 will be applied as general working capital of the Group, including payment of administrative expenses such as salaries and rentals in the amount of approximately RMB5,000,000, procurement of materials for manufacturing and experiments in the amount of approximately RMB10,000,000, and payment of taxes including value-added tax, income tax and property tax in the amount of approximately RMB24,000,000.

The Transaction was awarded to Shenzhen Waranty through a tendering process. The Group has engaged a brokerage agency, being an Independent Third Party engaging in securities underwriting and sponsorship business, and financial advisory business related to securities trading and securities investment activities in the PRC, to look for interested and qualified potential purchasers for the Sale Share on the market. The brokerage agency preliminarily selected and assessed more than 10 institutions and companies from its own business networking with reference to (i) interests in investment in biomedical field; (ii) investment experiences; (iii) creditworthiness; (iv) willingness to accommodate the transaction's timeline; and (v) possible synergy effect with the Target Group and willingness to maintain the existing management of the Target Group, while Shenzhen Waranty approached the brokerage agency itself. With the arrangement and assistance from the brokerage agency and after communication between the Target Group and Tongfang Pharmaceutical with the aforementioned institutions and companies and Shenzhen Waranty, bidding intention of four bidders, including Shenzhen Waranty and three Independent Third Parties identified from the business networking of the brokerage agency were ascertained. Bidding documents were then delivered to each of these four companies for the purpose of the tendering by the brokerage agency. Tenders were received from the four bidders thereafter.

The final purchaser was determined after evaluation by a committee comprising of four independent professional personnel that were invited and selected by the brokerage agency, and one representative from the Target Company with reference to various factors including, among other things, the proposed consideration, commercial terms, investment capabilities of the potential purchasers and creditability and qualifications of the relevant bidders. Shenzhen Waranty was scored the highest average marks by the committee through a comprehensive assessment as described above under the tendering process. In particular, the bidding price submitted by Shenzhen Waranty was the highest among the tenders received by the Group. The consideration under the Transaction of RMB159,675,300, representing a variance of RMB324,700 from the bidding price submitted by Shenzhen Waranty at RMB160,000,000 due to the costs and expenses incurred in relation to the Transaction is still higher than other bidding prices received through the tendering process.

In light of the above, the Board considers that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and the entering into of the Equity Transfer Agreement 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.

Mr. Chai Hongjie, being a Director and a director of Shenzhen Waranty and Mr. Jiang Chaowen, being a Director, the director of the Target Company and a shareholder holding 5.47% equity interest in the Target Company, are considered to have a material interest in the Transaction and therefore have abstained from voting on the Board resolutions of the Company for approving the Equity Transfer Agreement and the Transaction. Save as disclosed above, no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

LISTING RULES IMPLICATIONS OF THE TRANSACTION

As the highest applicable percentage ratio in respect of the Transaction is more than 25% but less than 100%, the Transaction 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.

As at the Latest Practical Date, Shenzhen Waranty is the indirect holding company of China Health, which in turn holds approximately 56.77% of the issued share capital of the Company. Therefore, Shenzhen Waranty is a connected person of the Company and the Transaction constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 20 June 2022 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the Transaction. A notice convening the EGM is set out on pages 47 to 49 of this circular.

China Health (directly holding an aggregate of 3,172,778,000 Shares, representing approximately 56.77% of the issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting on the resolution approving the Equity Transfer Agreement and the Transaction 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 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 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 Equity Transfer Agreement is not entered into in the ordinary and usual course of business of the Company, the terms thereof and the Transaction are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole and would benefit the Group's long-term business development in pharmaceutical segment.

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 Equity Transfer Agreement and the Transaction.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" set out on pages 13 to 14 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the "Letter from the Independent Financial Adviser" set out on pages 15 to 32 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
Bai Pingyan
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)

26 May 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 55.43% EQUITY INTEREST IN THE TARGET COMPANY

We refer to the circular dated 26 May 2022 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 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 Equity Transfer Agreement and the Transaction and to advise the Independent Shareholders as to (i) the fairness and reasonableness of the Equity Transfer Agreement and the Transaction; (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 12 of the Circular and the "Letter from the Independent Financial Adviser" to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 32 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 Equity Transfer Agreement is not entered into in the ordinary and usual course of business of the Company, the terms thereof and the Transaction are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole and would benefit the Group's long-term business development in pharmaceutical segment.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the Transaction.

Yours faithfully,
Independent Board Committee

Mr. Chan Sze Chung	**Mr. Zhang Ruibin**	**Mr. Zhang Junxi Jack**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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 Equity Transfer Agreement and the Transaction, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

26 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 55.43% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Transaction, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 26 May 2022 (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 6 April 2022 (the "**Announcement**") in respect of, among other things, the Equity Transfer Agreement and the Transaction.

On 6 April 2022 (after trading hours), Tongfang Pharmaceutical, a wholly-owned subsidiary of the Company (as the vendor), Shenzhen Waranty, a controlling shareholder of the Company (as the purchaser) and the Target Company entered into the Equity Transfer Agreement, pursuant to which Tongfang Pharmaceutical has conditionally agreed to sell, and Shenzhen Waranty has conditionally agreed to purchase the Sale Share, representing 55.43% equity interest in the Target Company, at the consideration of RMB159,675,300 (subject to interest).

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the Equity Transfer Agreement and the Transaction. 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.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction is more than 25% but less than 100%, the Transaction 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.

Shenzhen Waranty is the indirect holding company of China Health, which in turn holds approximately 56.77% of the share capital of the Company. Therefore, Shenzhen Waranty is a connected person of the Company and the transaction contemplated under the Equity Transfer Agreement 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 regarding two construction contracts and the transactions contemplated thereunder (the "**Previous Appointments**"), details of which are set out in the circulars of the Company dated 20 May 2021 and 18 August 2021 respectively.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the Previous Appointments as well as 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, 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, the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**") and 31 December 2021 (the "**2021 Annual Report**") in relation to the information of the Group; (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 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 Equity Transfer Agreement and the Transaction. 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 Equity Transfer Agreement and the Transaction 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 Equity Transfer Agreement and the Transaction. 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.

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

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.

Set out below is a summary of the consolidated financial information on the Group's continuing operations for each of the two years ended 31 December 2021 and 2020 extracted from the 2021 Annual Report and the 2020 Annual Report. As disclosed in the 2021 Annual Report and 2020 Annual Report, the Group has completed the disposal of the cement business on 21 December 2020, and the comparatives for the two years ended 31 December 2020 and 2019 have been presented as discontinued operation and comparatives for the year ended 31 December 2019 have been re-presented accordingly.

	For the year ended 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
			(Re-presented)
Revenue	961,089	1,009,134	921,148
Gross profit	482,889	555,749	497,469
Profit/(Loss) before taxation from continuing operations	(326)	(297)	79,083
Profit/(Loss) for the year attributed to the owners of the Company from continuing operations	(15,048)	(42,391)	53,517

	As at 31 December	
	2021	**2020**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Total assets	2,558,775	2,542,284
Total liabilities	1,220,991	1,188,527
Net assets attributable to owners of the Company	1,192,018	1,214,186

Financial performance for the year ended 31 December 2021

For the year ended 31 December 2021 ("**FY2021**"), the Group recorded revenue of approximately HK$961.1 million from continuing operations, representing a decrease of 4.8% as compared to that of approximately HK$1,009.1 million for the year ended 31 December 2020 ("**FY2020**").

The gross profit of the Group was approximately HK$482.9 million for FY2021, representing a decrease of 13.1% as compared to that of approximately HK$555.7 million for FY2020, and gross profit margin was 50.2%, representing a decrease of 4.9% as compared to that of 55.1% for 2020.

The decrease in the Group's revenue and gross profit for FY2021 was mainly attributable to the following reasons:

— In the pharmaceutical business segment, the effective control to combat the spread of COVID-19 pandemic in the PRC has impact on the subsidiaries in different manners. The excess demand of the active pharmaceutical ingredients ("**API**") Chloroquine Phosphate manufactured by Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) ("**Chongqing Kangle**") had slowed down in 2021, which resulted in the decline in Chongqing Kangle's revenue and gross profit, while the revenue and gross profit from other pharmaceutical business subsidiaries, such as Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) ("**Shaanxi Life Care**"), which mainly focuses on the manufacturing and sales of Chinese medicine products, and the Target Company, which mainly focuses on the sales of laboratory related products, had also gradually recovered, which alleviated the impact of the decrease in revenue and gross profit in Chongqing Kangle to a certain extent; and

— In the fitness business segment, due to the outbreak of the COVID-19 pandemic in the second quarter of 2021 in Singapore and Taiwan, the operation of the fitness centres in these two regions were suspended for approximately 10 weeks and 9 weeks respectively, leading to the decrease in the gross profit in the fitness business segment.

The loss for the year attributed to the owners of the Company from continuing operations was approximately HK$15.0 million for FY2021, representing a decrease of 64.6% as compared to that of approximately HK$42.4 million for FY2020. The decrease in loss attributed to the owners of the Company from continuing operations was mainly attributable to the gain of approximately HK$51.4 million from the disposal of a subsidiary of the Company, Apros Therapeutics, Inc., which offset the Group's (i) decrease in gross profit; (ii) expected credit loss on receivables and one-off impairment on goodwill in the fitness business; and (iii) increase in segment loss in the fitness business segment resulting from the suspension of operation of our fitness centres in Singapore and Taiwan for approximately 10 weeks and 9 weeks respectively due to the outbreak of the COVID-19 pandemic in the second quarter of 2021 in these two regions.

Financial performance for the year ended 31 December 2020

For the FY2020, the Group recorded revenue of approximately HK$1,009.1 million from the continuing operations, representing an increase of 9.6% as compared to that of approximately HK$921.1 million for the year ended 31 December 2019 ("**FY2019**").

The gross profit of the Group was approximately HK$555.7 million for FY2020, representing an increase of 11.7% as compared to that of approximately HK$497.5 million for FY2019, and gross profit margin was 55.1%, representing an increase of 1.1% as compared to that of 54.0% for FY2019. The increase in revenue and gross profit were mainly due to the net effect of the increased revenue in pharmaceutical business, and the decreased revenue in fitness business, which were impacted by the COVID-19 pandemic in different manners.

The loss attributable to the owners of the Company from continuing operations was approximately HK$42.4 million for FY2020, representing a turnaround as compared to profit attributable to the owners of the Company from continuing operations of approximately HK$53.5 million for FY2019 due to the impairment in goodwill of fitness business in the amount of HK$31.2 million as the Group's fitness business was severely impacted by the COVID-19 pandemic.

Financial position as at 31 December 2021

The total assets of the Group was approximately HK$2,558.8 million as at 31 December 2021, representing an increase of 0.6% as compared to that of approximately HK$2,542.3 million as at 31 December 2020.

The total liabilities of the Group was approximately HK$1,221.0 million as at 31 December 2021, representing an increase of 2.7% as compared to that of approximately HK$1,188.5 million as at 31 December 2020.

As at 31 December 2021, the net asset attributable to owners of the Group decreased approximately 1.8% from approximately HK$1,214.2 million as at 31 December 2020 to approximately HK$1,192.0 million.

Tongfang Pharmaceutical

Tongfang Pharmaceutical is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company. Tongfang Pharmaceutical is principally engaged in the production and sales of chemical generic medicines in the PRC.

Shenzhen Waranty

Shenzhen Waranty is a company established in the PRC with limited liability, which is (through China Health) the indirect controlling shareholder of the Company. Shenzhen Waranty is principally engaged in asset management and investment consultancy in the PRC.

2. Reasons for the Transaction

With reference to the Letter from the Board, the Transaction aligns with the Group's current plan to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group. To be more specific, the Group intends to focus its pharmaceutical business on (i) production and sales of chemical generic drugs and prescription drugs undertaken by Tongfang Pharmaceutical; (ii) development, manufacturing and distribution of Chinese medicines, which is engaged by Shaanxi Life Care and its subsidiary, Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司); and (iii) manufacturing and distribution of active pharmaceutical ingredients and intermediates active pharmaceutical ingredients operated by Chongqing Kangle. Together with the fitness business of the Group, the Board believes that the Group's strategy to focus on health-related business will continue to be the driver of sustainable growth of the Group going forward.

On the other hand, the Target Group, which is principally engaged in sales of laboratory related products, faces increasingly intense industry competition in recent years. The Company believes that the Transaction represents a good opportunity to realize its investment in the Target Group as the continuing pressure from competitors of the Target Group will compel it to offer lower prices to its customers, constraining its development with serious capital pressure. Therefore, the Board is of the view that the Transaction will not have material impact on the business of the Group as the activities of the Target Group is not the core in pharmaceutical segment according to the Group's long-term business strategy, and the Transaction will enable the Group to increase its working capital and strengthen the overall financial position of the Group.

The proceeds from the Transaction of approximately RMB160,000,000 is intended to be used in the following manner:

(i) approximately RMB40,000,000 will be used by Tongfang Pharmaceutical in conducting research and development of new products mainly focusing on gynecologically purposes and local anesthesia;

(ii) approximately RMB20,000,000 will be utilized by Tongfang Pharmaceutical to prepare its existing products to pass in the generic drug quality and therapeutic effect consistency assessment;

(iii) approximately RMB31,000,000 will be used to pay up the registered capital of Shaanxi Life Care, which will in turn be applied in the construction of a new production base in the hi-tech industrial development area in Baoji, Shaanxi

Province, the PRC. The new production base, which is expected to be put into use in 2023, would enhance the Group's production capacity of Chinese medicines and allow the Group to expand its product portfolio;

(iv) approximately RMB30,000,000 will be used by Chongqing Kangle in optimizing the operation and manufacturing of sulfonamides with integrated environmental protection technology and resources. As at the Latest Practicable Date, Chongqing Kangle has reached preliminary understanding with business partners in the cooperation of mass production and sales of sulfonamides; and

(v) approximately RMB39,000,000 will be applied as general working capital of the Group, including payment of administration expenses such as salaries and rentals in the amount of approximately RMB5,000,000, procurement of materials for manufacturing and experiments in the amount of approximately RMB10,000,000, and payment of taxes including value-added tax, income tax and property tax in the amount of approximately RMB24,000,000.

3. Principal terms of the Equity Transfer Agreement

Summarised below are the principal terms of the Equity Transfer Agreement, details of which are set out under the section headed "THE EQUITY TRANSFER AGREEMENT" of the Letter from the Board.

Date: 6 April 2022

Parties:
(i) Tongfang Pharmaceutical, as the vendor;

(ii) Shenzhen Waranty, as the purchaser; and

(iii) the Target Company.

Subject matter and the consideration:

Under the Equity Transfer Agreement, Tongfang Pharmaceutical has conditionally agreed to sell, and Shenzhen Waranty has conditionally agreed to purchase the Sale Share, representing 55.43% equity interest in the Target Company held by Tongfang Pharmaceutical for consideration of RMB159,675,300 (subject to interest).

With reference to the Letter from the Board, the consideration payable by Shenzhen Waranty was arrived at by a tender process conducted by the Group in relation to the disposal of the Sale Share where Shenzhen Waranty's bidding price was the highest among the tenders received through the tendering process.

4. The tendering process

As disclosed in the Letter from the Board, the Transaction was awarded to Shenzhen Waranty through a tendering process. The Group has engaged a brokerage agency (the "**Independent Agency**"), being an Independent Third Party, to look for interested and qualified potential purchasers for the Sale Share on the market. The Company and the brokerage agency prepared a bidding document (the "**Bidding Document**") 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 requirements and criteria on the bidders and the assessment and determination of the winning bidder.

Pursuant to the Bidding Document, the winning bidder shall be assessed by an evaluation committee (the "**Evaluation Committee**") through a comprehensive assessment (the "**Assessment**") based on three aspects: (i) commercial terms (including the bidding price and the settlement methods); (ii) creditability and qualifications; and (iii) investment capabilities of the potential bidders. As advised by the Management, the Evaluation Committee was comprised five members, four of which are independent experts that were invited and selected by the Independent Agency, including lawyer, investment adviser, valuer and auditor (the "**Independent Experts**"), and the remaining one is an representative from the Target Company. Under the Assessment, each of the members of the Evaluation Committee would 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.

As advised by the Management, the Independent Agency is a wholly-owned subsidiary of a joint stock company (the "**Parent Company**") incorporated in the PRC with limited liability and the shares of the Parent Company are listing on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange. The controlling shareholder of the Parent Company is a state-owned investment company. The Parent Company is an investment holding group focused on securities business in the PRC. Being a wholly-owned subsidiary of the Parent Company, the Independent Agency is principally engaged in securities underwriting and sponsorship business, and financial advisory business related to securities trading and securities investment activities in the PRC. Therefore, the Independent Agency has accumulated and maintained a network of professional investors who are looking for various business and investment opportunities.

As further advised by the Management, when looking for interested and qualified potential purchasers for the Sale Share on the market, the Independent Agency preliminarily selected and assessed more than 10 institutions and companies from its own business networking with reference to (i) who that are interested in investment in biomedical field; (ii) investment experiences; (iii) creditworthiness; (iv) willingness to accommodate the transaction's timeline; and (v) who may have possible synergy effect with the Target Group and willing to maintain the existing management of the Target Group, while Shenzhen Waranty approached the Independent Agency itself. With the arrangement and assistance from the Independent Agency and after communication between the Target Group and Tongfang Pharmaceutical with the aforementioned institutions and companies and Shenzhen Waranty, bidding intention of four bidders, including Shenzhen Waranty and three Independent Third Parties identified from the business networking of the Independent Agency, were ascertained. The Bidding Document was then delivered to each of these four companies for the purpose of the tendering by the Independent Agency.

During the tendering, the Group received four tender documents (the "**Tender Documents**"), of which one from Shenzhen Waranty and three from Independent Third Parties as mentioned above. We have obtained and reviewed a result report (the "**Result Report**") prepared by the Evaluation Committee and the Independent Agency in respect of the tender process and noted that the Evaluation Committee recommended Shenzhen Waranty as it scored the highest average marks under the Assessment.

Having considered that (i) the tender is conducted by the Independent Agency which is a professional financial advisory company in the PRC; (ii) the Independent Agency preliminarily selected and assessed more than 10 institutions and companies and was responsible for arranging and assisting the subsequent communications between the Target Group and Tongfang Pharmaceutical with the aforementioned institutions and companies as well as Shenzhen Waranty; (iii) the Independent Agency was responsible for the preparation and the delivery of the Bidding Document; (iv) the winning bidder (a) is assessed by each member of the Evaluation Committee with four out of five members are the Independent Experts covering different professional areas who were invited and selected by the Independent Agency and (b) is determined by the highest average marks assessed by each of the members of the Evaluation Committee under the Assessment, of which four out of five are Independent Third Parties; and (v) the Result Report was prepared by the Evaluation Committee and the Independent Agency, we consider that the Independent Agency and the Evaluation Committee had sufficient participation in the tendering and evaluation process and thus we are of the view that the tender process is fair and reasonable.

5. The consideration

We have reviewed the Tender Documents from each of the bidders and noted that the bidding price under the Tender Documents from Shenzhen Waranty was RMB160,000,000 (the "**Shenzhen Waranty's Bidding Price**") which represents a variance of RMB324,700 from the consideration (the "**Variance**"). As advised by the Management, the Variance was due to the costs and expenses incurred in relation to the Transaction. Notwithstanding the above, the consideration of RMB159,675,300 under the Transaction is still higher than the other bidding prices under the Tender Documents from the three Independent Third Parties of RMB149,000,000, RMB149,660,000 and RMB152,982,853.

Our Analysis and View on the consideration for the Transaction

Comparable transactions analysis

As advised by the Management, the Target Group is principally engaged in the breeding and sale of laboratory rat.

To assess the fairness and reasonableness of the consideration for the Transaction, we have performed a price-to-earnings ratios ("**PER**") analysis and a price-to-book ratios ("**PBR**") analysis based on search of comparable transactions conducted by listed companies in Hong Kong and the PRC involving acquisition of companies engaged in sales of laboratory experiment model that belongs to the same industry of the Target Group for comparison, from 1 January 2020 (approximately two years prior to the date of the Equity Transfer Agreement) and up to the Latest Practicable Date. We considered that PER analysis and PBR analysis are commonly used analysis and references for comparable transactions in the market. To the best of our knowledge and endeavour, we identified four transactions (the "**Transaction Comparables**") which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Target Group may not exactly the same as the Transaction Comparables.

Set out below is the PERs and PBRs of the Transaction Comparables based on the respectively consideration and the financial information of the respective target companies available in the announcements of the acquisitions.

Date of announcement	Company name	Place of Listing	Stock code	Name of the target company	Consideration	Latest profit after taxation of the company being acquired as disclosed in the respective announcement	Latest net asset value of the company being acquired as disclosed in the respective announcement	PER *(Note 1)*	PBR *(Note 2)*
28/4/2022	Joinn Laboratories (China) Co., Ltd. — H Shares and A Shares	Hong Kong and Shanghai	6127 and 603127	Yunnan Yinmore Bio-Tech Co., Ltd.	RMB829.53 million	RMB32.02 million	RMB136.88 million	25.91	6.06
28/4/2022	Joinn Laboratories (China) Co., Ltd. — H Shares and A Shares	Hong Kong and Shanghai	6127 and 603127	Guangxi Weimei Bio-Tech Co., Ltd	RMB974.66 million	RMB52.25 million	RMB147.12 million	18.65	6.62
27/3/2022	Pharmaron Beijing Co., Ltd.* ("**Pharmaron Beijing**")	Hong Kong	3759	Beijing Ankai Yibo Biotechnology Co., Ltd.* (北京安凱毅博生物技術有限公司)	RMB85.24 million *(Note 3)*	RMB4.81 million	RMB14.21 million	17.72	6.00
20/1/2020	Joinn Laboratories (China) Co., Ltd. — A Shares ("**Joinn Laboratories**")	Shanghai	603127	Shanghai Slack Laboratory Animal Co., Ltd.* (上海斯萊克實驗動物有限責任公司)	RMB132.00 million	RMB15.02 million	RMB91.64 million	10.99 *(Note 4)*	1.80 *(Note 5)*
							Maximum	25.91	6.62
							Minimum	10.99	1.80
							Average	18.32	5.12
							Median	18.19	6.03
				The Transaction	RMB159.68 million	RMB30.97 million	RMB104.11 million	9.30	2.77 *(Note 7)*

Notes:

1. The PER of the Transaction Comparables were calculated based upon the proposed consideration divided by the latest profit after taxation of the company being acquired as disclosed in the respective announcement.

2. The PBR of the Transaction Comparables were calculated based upon the proposed consideration divided by the latest net asset value of the company being acquired as disclosed in the respective announcement.

3. Based on the announcement of Pharmaron Beijing dated 6 May 2022, the final consideration of the acquisition had been determined at approximately RMB85.24 million.

4. Based on the announcement of Joinn Laboratories dated 20 January 2020 (the "**Joinn Announcement**"), Joinn Laboratories intended to acquire 80% equity interest of the target company with a proposed consideration of approximately RMB132.00 million. The target company recorded an audited net profit of approximately RMB6.22 million for the year ended 31 December 2018 and an unaudited net profit of approximately RMB15.02 million for the nine months ended 30 September 2019. The implied PER of the aforesaid transaction is calculated based on the unaudited net profit of approximately RMB15.02 million for the nine months ended 30 September 2019 which being the latest available figures as at the date of the Joinn Announcement.

5. Based on the Joinn Announcement, the target company recorded an audited net asset value of approximately RMB44.01 million as at 31 December 2018 and an unaudited net asset value of approximately RMB91.64 million as at 30 September 2019. The implied PBR of the aforesaid transaction is calculated based on the unaudited net asset value of approximately RMB91.64 million as at 30 September 2019 which being the latest available figures as at the date of the Joinn Announcement.

6. The dealings in the H Shares of Joinn Laboratories (China) Co., Ltd. on the Stock Exchange were commenced on 26 February 2021.

7. The implied PBR of the Transaction is calculated based upon the proposed consideration divided by the percentages of equity interest to be disposed and then further divided by the audited consolidated net assets value of the Target Group of approximately RMB104.11 million as at 31 December 2021 prepared under accounting principles generally accepted in the PRC.

As depicted in the above table, the PERs of the Transaction Comparables ranged from approximately 10.99 times to approximately 25.91 times, with an average of approximately 18.32 times and median of approximately 18.19 times, respectively. Accordingly, the implied PER of the Transaction of approximately 9.30 times is below the lower end of the PERs of the Transaction Comparables.

Furthermore, the PBRs of the Transaction Comparables ranged from approximately 1.80 times to approximately 6.62 times, with an average of approximately 5.12 times and median of approximately 6.03 times, respectively. Accordingly, the implied PBR of the Transaction of approximately 2.77 times is within the range of the PBRs of the Transaction Comparables.

Comparable companies analysis

To assess the fairness and reasonableness of the consideration for the Transaction, we have also performed a PER analysis based on search of comparable companies listed in Hong Kong and the PRC which are engaged in line of business in relation to breeding and sales of laboratory experiment model and the revenue streams are mainly retrieved from the PRC that similar to the Target Group for comparison. To the best of our knowledge and endeavour, we found two PRC listed companies (the "**Market Comparables**") which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Target Group may not exactly the same as the Market Comparables.

Set out below is the PERs of the Market Comparables based on their respectively closing price as at the Latest Practicable Date and their respectively latest published financial information:

Company name	Place of Listing	Stock Code	Principal business	Market Capitalization	PER
GemPharmatech Co., Ltd ("**GemPharmatech**")	Shanghai (Sci-Tech innovation board)	688046	GemPharmatech operates biotechnology businesses. The company provides experimental mice breeding, wholesale, customized breeding, functional pharmacodynamic analysis, and other related services. GemPharmatech also offers import and export agency services.	RMB9,278,300,000	121.39
Shanghai Model Organisms Center, Inc. ("**Shanghai Model**")	Shanghai (Sci-Tech innovation board)	688265	Shanghai Mode provides biotechnology services. The company offers genetically modified animal models research and development, breeding, analysis and testing, and other services.	RMB3,963,665,001	65.13
				Maximum	121.39
				Minimum	65.13
				Average and Median	93.26
			The Transaction		9.30

Note: The PER of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net profit attributable to the owners of the respective companies disclosed in the respective latest financial statement.

As depicted from the above table, the PER of the Market Comparables ranged from approximately 65.13 times to approximately 121.39 times, with an average and median of approximately 93.26 times, respectively. Accordingly, the implied PER of the Transaction of approximately 9.30 times is below the lower end of the PERs of the Market Comparables.

As further discussed with the Management, we are given to understand the following factors have been considered by the Group when assessing and considering the Transaction, including the consideration for the Transaction:

1. Long-term development strategy of the Group to focus on pharmaceutical business

With reference to the Letter from the Board, the Company is now concentrating the resources on driving the growth of pharmaceutical business. The Company believes that the Transaction represents a good opportunity to realize its investment in the Target Group as the continuing pressure from competitors of the Target Group will compel it to offer lower prices to its customers, constraining its development with serious capital pressure. As advised by the Management, it is considered that the business of the Target Group is not the core of the Group's pharmaceutical business, neither has any synergy effect with it and therefore the Transaction (i.e. the disposal of the Target Group) is in line with the Group's long-term business strategy that the Group intends to focus on pharmaceutical business.

2. The funding needs for the development of the Group's pharmaceutical business

As advised by the Management, by excluding the Target Group, the Group had a cash and cash equivalents of approximately HK$130.29 million as at 31 December 2021 while the expenses for the general business operation (including administrative expenses, other expenses and finance costs) were approximately HK$190.84 million and HK$195.28 for the year ended 31 December 2020 and 2021, with an average of HK$193.06 million.

As advised by the Management, the Group is undertaking the following development projects for the pharmaceutical business:

(a) Research and development of products focusing on gynecologically purposes and local anesthesia

The Group will continue to focus on and invest in the fields of gynaecology and local anesthesia. In 2022, Tongfang Pharmaceutical has commenced the research and development of two products focusing on local anesthesia and gynecologically purposes (the "**New Products**"). The New Products were currently at the stage of pharmaceutical research and development, the development cycle for the New Products would include (i) formulation technology and quality research; (ii) methodological transfer and transition batch transfer; (iii) pre-bioequivalence test or methodological verification; (iv) process verification; (v) stability inspection; (vi) bioequivalence test filing; (vii) formal bioequivalence test; and (viii) clinical study. The aforesaid development cycle for the New Products was expected to be completed in 18 to 24 months. Subject to the success of the research and development, Tongfang Pharmaceutical will then commence the registration and commercialization of the New Products. As advised by the Management, the aggregate preliminary investment cost for the New Products in 2022 is expected to be approximately RMB40 million and at least RMB40 million will be required for the follow-up development stages of the New Products.

(b) Expansion of the production and sales of sulfonamides

It is the current plan of Chongqing Kangle to develop the production and sales of sulfonamide drugs, which are the addition to the current products portfolio of Chongqing Kangle. As at the Latest Practicable Date, Chongqing Kangle has reached preliminary understanding with business partners in the cooperation of mass production and sales of sulfonamides. In 2022, Chongqing Kangle expects to complete the production site selection, finalization of environmental plan in relation to the production and production plant construction or renovation. Chongqing Kangle further expects to commence a small scale production and sales of sulfonamide drugs in 2023. Subject to the market responses, Chongqing Kangle would increase the investment on and further expand the production capacity of the sulfonamide drugs in the coming 2 to 3 years.

(c) Construction of new production base for Chinese medicines

Reference is made to the circular of the Company dated 18 August 2021 in relation to the construction contract (the "**Shaanxi Construction Contract**") for the construction of a new production base in Shaanxi Province (the "**Shaanxi Production Base**"), the PRC. Pursuant to the Shaanxi Construction Contract, the estimated contract price was RMB166 million (subject to adjustments). As at the 31 March 2022, the obligation incurred under the Shaanxi Construction Contract was approximately RMB88.27 million. The Shaanxi Production Base is used for the production of the Group's Chinese medicines.

Based on the above, the Management considers that the Group requires additional funding to develop the Group's pharmaceutical business.

3. The allocation of the proceeds of the Transaction

With reference to the Letter from the Board, the Group intends to focus its pharmaceutical business on (i) production and sales of chemical generic drugs and prescription drugs undertaken by Tongfang Pharmaceutical; (ii) research and development of the New Products of Tongfang Pharmaceutical; (iii) development, manufacturing and distribution of Chinese medicines, which is engaged by Shaanxi Life Care and its subsidiary, Shaanxi Unisplendour; and (iv) manufacturing and distribution of active pharmaceutical ingredients and intermediates active pharmaceutical ingredients operated by Chongqing Kangle. Details of the business development of Tongfang Pharmaceutical, Shaanxi Life Care and Chongqing Kangle are discussed above.

The proceeds from the Transaction of approximately RMB160 million, out of which approximately RMB121 million (representing approximately 76% of the proceeds of the Transaction) will be allocated to the business development and expansion of Tongfang Pharmaceutical, Shaanxi Life Care and Chongqing Kangle.

As such, majority of the proceeds from the Transaction will be allocated to the development of the Group's pharmaceutical business.

4. Failure of Tongfang Pharmaceutical to identify potential purchaser itself

As advised by the Management, before engaging the Independent Agency to look for potential purchaser of the Sale Shares, Tongfang Pharmaceutical had approached 5 institutions and companies itself for disposal of the Sale Shares. However, Tongfang Pharmaceutical had failed to identified any potential purchaser for the Sale Shares.

5. The Tendering

The consideration for the Transaction is determined through the tender while (i) the tender is conducted by the Independent Agency which is a professional financial advisory company in the PRC; (ii) the Independent Agency preliminarily selected and assessed more than 10 institutions and companies and was responsible for arranging and assisting the subsequent communications between the Target Group and Tongfang Pharmaceutical with the aforementioned institutions and companies as well as Shenzhen Waranty; (iii) the Independent Agency was responsible for the preparation and the delivery of the Bidding Document; (iv) the winning bidder (a) is assessed by each member of the Evaluation Committee with four out of five members are the Independent Experts covering different professional areas who were invited and selected by the Independent Agency and (b) is determined by the highest average marks assessed by each of the members of the Evaluation Committee under the Assessment, of which four out of five are Independent Third Parties; and (v) the Result Report was prepared by the Evaluation Committee and the Independent Agency, we consider that the Independent Agency and the Evaluation Committee had sufficient participation in the tendering and evaluation process and thus we are of the view that the tender process is fair and reasonable.

6. The Target Group does not meet the listing requirements in the PRC

According to a PRC legal opinion issued by Beijing Lianggao Law Firm* (北京市兩高律師事務所), a PRC legal advisor engaged by the Target Company, the Target Group did not meet the requirement for listing on the Beijing Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange based on, among others, the financial information of the Target Group up to the financial year ended 31 December 2021. As the Target Group does not fulfill the requirements for listing in the stock exchanges in the PRC, the Market Comparables analysis mentioned above should regards as illustration purpose only.

Despite the implied PER of the Transaction is below the lower end of the PERs of the Transaction Comparables and Market Comparables, the implied PER of the Transaction of approximately 9.30 times is close to the lower end of the PERs of the Transaction Comparables of approximately 10.99 times; and the Market Comparables, as explained above, should regard as illustration purpose only, in view that (i) Tongfang Pharmaceutical had approached 5 institutions and companies itself for disposal of the Sale Shares but had failed to identify any potential purchaser for the Sale Shares; (ii) Shenzhen Waranty scored the highest average marks through a comprehensive assessment as described above under the tendering process and therefore the Transaction was awarded to Shenzhen Waranty; (iii) the consideration under the Transaction of RMB159,675,300, representing approximately 0.20% discount to the Shenzhen Waranty's Bidding Price, is still higher than other bidding prices received through the tendering process; (iv) the implied PBR of the Transaction is within the range of the PBRs of the Transaction Comparables; (v) the business of the Target Group is not the core of the Group's pharmaceutical business, neither has any synergy effect with it and therefore the Transaction (i.e. the disposal of the Target Group) is in line with the Group's long-term business strategy that the Group intends to focus on pharmaceutical business; (vi) the Group requires additional funding to develop the Group's pharmaceutical business; (vii) majority of the proceeds from the Transaction will be allocated to the development of the Group's pharmaceutical business; and (viii) the Target Group does not meet the listing requirements in the PRC as at the Latest Practicable Date, we consider the aforesaid consideration is justifiable.

6. Financial effects of the transaction

With reference to the Letter from the Board, upon completion of the Transaction, the Group will cease to own any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated with the Group's results. In addition, it is estimated that the Company will recognize gain on disposal of subsidiaries of approximately RMB47,482,000 as a result of the Transaction, which is calculated based on the difference between the consideration and the carrying value of the disposed net assets attributable to the Group as at 28 February 2022 and the related transaction costs.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Transaction.

With reference to the Letter from the Board, the Target Company, which is owned as to 55.43% equity interest by Tongfang Pharmaceutical, was acquired by the Group through acquisition of 60% equity interest in Tongfang Pharmaceutical in July 2016. The Group further acquired the remaining 40% equity interest in Tongfang Pharmaceutical and such acquisition was completed in May 2018. SPF Suzhou was established as a wholly-owned subsidiary of the Target Company in January 2019, and therefore it is not the subject matter of the abovementioned acquisitions. Since the acquisition of the Target Company, there was no impairment made against or capital injection/expenditure made by the Group toward the Target Group. Accordingly, no adjustment of the estimated gain from the Transaction is made in this regard.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that although the Equity Transfer Agreement and the Transaction are not in the ordinary and usual course of business of the Group, the terms thereof and the Transaction 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 the consideration of the Transaction is justifiable and the Transaction would benefit the Group's long-term business development in pharmaceutical segment. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the Transaction.

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 SFO and has over 9 years of experience in corporate finance industry.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

(i) for the year ended 31 December 2021 has been disclosed on pages 113 to 316 of the Company's 2021 annual report published on 27 April 2022;

(ii) 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; and

(iii) 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.

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 31 March 2022, 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 borrowings

As at 31 March 2022, the Group had outstanding bank borrowings of approximately HK$224,635,000. The borrowings comprised (i) unsecured and unguaranteed bank borrowings of approximately HK$38,665,000; (ii) unsecured and guaranteed bank borrowings of approximately HK$28,079,000; (iii) secured and guaranteed bank borrowings of approximately HK$48,130,000 and (iv) secured and unguaranteed bank borrowings of approximately HK$109,761,000.

The aforesaid secured bank borrowings were secured by the Group's right-of-use assets, buildings, bank balance, trade receivables and the assets of a subsidiary as at 31 March 2022.

Lease liabilities

As at 31 March 2022, the Group had outstanding lease liabilities of approximately HK$467,965,000. The lease liabilities of (i) approximately HK$4,212,000 were charged over the leased assets and unguaranteed; and (ii) remaining HK$463,753,000 were unsecured and unguaranteed.

Amounts due to related parties

As at 31 March 2022, the Group had outstanding amounts due to related parties of approximately HK$111,051,000 which were unguaranteed and unsecured.

Contingent liabilities

As at 31 March 2022, the Group had the following contingent liabilities arising from incidents as disclosed in the 2021 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 opposing 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. On 4 January 2022, the Company and Fester Global filed (a) Re-Amended Defence and Counterclaim and (b) Rejoinder to Amended Reply and Reply to Defence to Counterclaim and Defence to 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 above legal proceedings is remote.

In March 2021, 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) (“**Xuhui District Court**”) 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. Chongqing Kangle has engaged lawyers and intends to vigorously defend Shanghai Haixin’s claims. On 25 November 2021, the Xuhui District Court added Xi’an Haixin Pharmaceutical Co., Ltd.* (西安海欣製藥有限公司) as an additional party to the Shanghai Legal Proceedings. All parties to the proceedings exchanged evidence online and expressed their views on examination of evidence on 21 January 2022. The date of the next hearing and trial has not been fixed up to the date of this circular. As of 31 December 2021, certain assets legally owned by Chongqing Kangle comprising bank balances in the aggregate amount of approximately HK$6,205,000 and property and plant with carrying value of approximately HK$69,198,000 have been frozen due to the Shanghai Legal Proceedings. 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 31 March 2022, 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 purchases 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 Transaction, 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. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the Group's 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 THE TRANSACTION" in the letter from the Board, the Transaction aligns with the Group's current plan to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group, more specifically, in principal activities of manufacturing and sales of chemical drugs, active pharmaceutical ingredients and intermediates and Chinese medicines.

Given the accreditation of the Group in drug manufacturing and the stronger desire in pursuing health and fitness after COVID-19 pandemic, the Company strongly believes the pharmaceutical business and fitness business have great synergies enabling 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. The Board believes that the Transaction will also enable the Group to accelerate the development of its pharmaceutical business sector as well as increase its working capital, and will improve the liquidity and strengthen the overall financial position of the Group.

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 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 interest in the associated corporation
Mr. Jiang Chaowen *Note*	the Target Company	Beneficial owner	5.47%

Note:

As at the Latest Practicable Date, Mr. Jiang Chaowen owned 5.47% interests in the registered capital of the Target Company, 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 and their respective associates 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:

		Long positions	
Name of Shareholders	**Capacity**	**Number of Shares**	**Approximate percentage of issued Shares**[(1)]
China Health	Beneficial owner	3,172,778,000[(2)]	56.77%
Waranty Assets Management (HK) Limited (“**Waranty Hong Kong**”)	Interest in a controlled corporation	3,172,778,000[(3)]	56.77%
Shenzhen Waranty	Interest in a controlled corporation	3,172,778,000[(4)]	56.77%
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	3,172,778,000[(5)]	56.77%

Name of Shareholders	Capacity	Long positions Number of Shares	Long positions Approximate percentage of issued Shares[1]
Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) ("**Shanxi Construction**")	Interest in a controlled corporation	3,172,778,000[6]	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	3,172,778,000[7]	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	3,172,778,000[8]	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	3,172,778,000[9]	56.77%
State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government ("**Shanxi Government Commission**")	Interest in a controlled corporation	3,172,778,000[10]	56.77%
THTF Energy-Saving Holdings Limited ("**THTF Energy-Saving**")	Beneficial owner	513,994,000[11]	9.20%

		Long positions	
Name of Shareholders	Capacity	Number of Shares	Approximate percentage of issued Shares[1]
Resuccess Investments Limited ("**Resuccess**")	Interest in a controlled corporation	513,994,000[12]	9.20%
Tsinghua Tongfang Co., Ltd.* (同方股份有限公司) ("**Tsinghua Tongfang**")	Interest in a controlled corporation	513,994,000[13]	9.20%

Notes:

(1) The percentages are calculated based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 5,588,571,777 Shares).

(2) The figure refers to the legal and beneficial interests of China Health in 3,172,778,000 Shares.

(3) 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.

(4) 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.

(5) 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.

(6) Shanxi Construction owns 46.38% interests in the registered capital of Sanjin Guotou and 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.

(7) 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.

(8) 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.

(9) State-owned Capital Operation Co. owns 90% interests in the registered capital of Shanxi Construction and 90% interests in the registered capital of Shanxi Transportation respectively. State-owned Capital Operation Co. is therefore deemed to have, via Shanxi Construction and Shanxi Transportation, 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.

(10) 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.

(11) The figure refers to the legal and beneficial interests of THTF Energy-Saving in 513,994,000 Shares.

(12) 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.

(13) 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. Bai Pingyan, an executive Director, was also the chairman of the board of directors and the general manager of Shenzhen Waranty and an employee of Shanxi Construction, Mr. Chai Hongjie, an executive Director, was also a director of Shenzhen Waranty, and Mr. Huang Yu, an executive Director, was also a director of Waranty Hong Kong, 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 2021 (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 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 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. LITIGATIONS

(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, 29 May 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 has been vigorously defending and opposing the Plaintiffs' 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 owned by Active gains has been enforced by Fester Global on 29 January 2021. The enforcement of the Share Charge by Fester Global has been proceeded as a result of the failure of Active Gains to compensate Fester Global in respect of the shortfall in the guaranteed profit of True Cayman 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. On 4 January 2022, the Company and Fester Global filed (a) Re-Amended Defence and Counterclaim and (b) Rejoinder to Amended Reply and Reply to Defence to Counterclaim and Defence to Counterclaim to Counterclaim.

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 Xuhui District Court 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 has engaged lawyers and intends to vigorously defend Shanghai Haixin's claims. On 25 November 2021, the Xuhui District Court added Xi'an Haixin Pharmaceutical Co., Ltd.* (西安海欣製藥有限公司) as an additional party to the Shanghai Legal

Proceedings. All parties to the proceedings exchanged evidence online and expressed their views on examination of evidence on 21 January 2022. The date of the next hearing and trial has not been fixed up to the date of this circular. As of 31 December 2021, certain assets legally owned by Chongqing Kangle comprising bank balances in the aggregate amount of approximately HK$6,205,000 and property and plant with carrying value of approximately HK$69,198,000 have been frozen due to the Shanghai Legal Proceedings.

(3) In March 2022, a Concurrent Writ of Summons with Statement of Claim was served on active Gains and Mr. PJW in relation to the legal action instituted by Fester Global as the plaintiff and Active Gains and Mr. PJW as the defendants under the High Court Action No. 1942/2021. Fester Global's claims under High Court Action No. 1942/2021 are related to the breaches of the SPA by Active Gains and Mr. PJW, and the breaches of the shareholders' agreement entered into among Fester Global, Active Gains and True Cayman (the "**Shareholders' Agreement**") by Active Gains. Fester Global claims Active Gains for damages for Active Gain's breaches of the Shareholders' Agreement and an injunction to restrain Active Gains from disclosing, divulging or making use of any confident information in breach of the Shareholders' Agreement, and claims Active Gains and Mr. PJW for, among others, specific performance of compensating Fester Global pursuant to the SPA, in particular payment of the shortfall in the guaranteed profit calculated in accordance with the SPA and/or further or alternatively, damages in respect of the breaches of the SPA. Details of the legal proceeding were disclosed in the announcement of the Company dated 25 March 2022.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the member of the Group was engaged in any litigation or claim 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:

(i) a sale and purchase agreement dated 13 November 2020 entered into between Fortunate Gold Limited (as vendor), Minyi Holdings 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;

(ii) 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;

(iii) a construction contract and a supplemental agreement both dated 20 April 2021 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;

(iv) a construction contract dated 12 July 2021 entered into between Shaanxi Unisplendour and Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司) in relation to the construction project of a production base located at Shaanxi Province of the PRC at the contact price of RMB166,000,000 (subject to adjustments), details of which are set out in the announcement and circular of the Company dated 12 July 2021 and 18 August 2021, respectively;

(v) a sale and purchase agreement dated 22 October 2021 entered into between Tongfang Konta Capital, L.P., Swiss Talent Group Limited and the Company in relation to the disposal of 9,500,000 shares of Series A Preferred Stock of Apros Therapeutics, Inc. ("**Apros**") and the novation of loans owed by Apros to Tongfang Pharmaceutical at a total consideration of US$16,000,000, details of which are set out in the announcement and circular of the Company dated 22 October 2021 and 18 November 2021, respectively; and

(vi) the Equity Transfer Agreement dated 6 April 2022.

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 2021, 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 Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The principal share registrar of the Company in the Cayman Islands 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 ON DISPLAY

Copies of the following documents will be published on both the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.tfkf.com.hk) for a period of 14 days from the date of this circular:

(a) the Equity Transfer Agreement;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 13 to 14 of this circular;

(c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in pages 15 to 32 of this circular;

(d) the written consent from the Independent Financial Adviser referred to in the paragraph headed "7. QUALIFICATIONS AND CONSENT OF EXPERT" in this Appendix; and

(e) this circular.

* *For identification purpose only*

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 Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 20 June 2022 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 26 May 2022.

ORDINARY RESOLUTION

"**THAT:**

(a) the equity transfer agreement dated 6 April 2022 (the "**Equity Transfer Agreement**") entered into between Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司) ("**Tongfang Pharmaceutical**") (as the vendor), Shenzhen Waranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司) ("**Shenzhen Waranty**") (as the purchaser) and SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京)生物技術有限公司) (the "**Target Company**") pursuant to which Tongfang Pharmaceutical has conditionally agreed to sell, and Shenzhen Waranty has conditionally agreed to purchase the sale share, representing 55.43% equity interest in the Target Company, at the consideration of RMB159,675,300 (subject to interest), and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified in all respects; and

(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 sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Equity Transfer Agreement and the transaction contemplated thereunder."

By Order of the Board
Tongfang Kontafarma Holdings Limited
Bai Pingyan
Chairman

Hong Kong, 26 May 2022

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

Head office and principal place of business:
Room 12A09–12A20, 12A/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Notes:

1. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the results of the poll will be published on the respective websites of the Stock Exchange and the Company in accordance with the Listing Rules.

2. A member of the Company (the "**Member**") entitled to attend and vote at the EGM will be entitled to appoint a proxy to attend and vote on his/her behalf, subject to the amended and restated articles of association of the Company. A proxy need not be a 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.

3. 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 branch share registrar of the Company 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 from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her 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.

5. Where there are joint holders of any Shares, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Shares 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 Shares, be entitled alone to vote in respect thereof.

6. The register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022 (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 accompanies by the relevant share certificates must be lodged with 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, for registration by 4:30 p.m. on Tuesday, 14 June 2022.

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*