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華控康泰集團有限公司

Kontafarma China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

DISCLOSEABLE TRANSACTION IN RELATION TO RENEWAL OF LEASE FOR AN EXISTING FITNESS CENTRE

RENEWAL OF LEASE FOR AN EXISTING FITNESS CENTRE

The Board is pleased to announce that on 26 July 2023, the Tenant (an indirect non-wholly owned subsidiary of the Company) entered into the New Lease with the Landlord (an Independent Third Party) in respect of renewal of the lease of the Premises at which one of the Group's fitness centres is currently operating for a term of two years commencing from 5 August 2023 and expiring on 4 August 2025.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the Company will recognise the unaudited value of the right-of-use asset on its consolidated statement of financial position in connection with the New Lease. Accordingly, the transaction under the New Lease will be regarded as an acquisition of asset by the Company for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset under the New Lease are more than 5% and below 25%, the transaction contemplated under the New Lease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 July 2023, the Tenant (an indirect non-wholly owned subsidiary of the Company) entered into the New Lease with the Landlord (an Independent Third Party) in respect of renewal of the lease of the Premises at which one of the Group's fitness centres is currently operating for a term of two years commencing from 5 August 2023 and expiring on 4 August 2025.

RENEWAL OF LEASE FOR AN EXISTING FITNESS CENTRE

Set out below is a summary of the principal terms of the New Lease:

Date	:	26 July 2023
Parties	:	(a) Overseas Movie (Private) Limited (as landlord); and (b) True Fitness Pte. Ltd. (as tenant)
Premises	:	5 Ang Mo Kio Central 2 Djitsun Mall @ Ang Mo Kio, #04-01 Singapore 569663
Use	:	For the operation of fitness centre
Term	:	Two years commencing from 5 August 2023 and expiring on 4 August 2025
Total consideration payable	:	Subject to the Tenant fully complying with all the terms and conditions of the agreement for the installment plan dated 26 July 2023 (the " Agreement ") in respect of, among other things, payment in nine instalments of outstanding rent of S\$538,403.92 (equivalent to approximately HK\$3,182,000) under the previous lease in respect of the Premises (the " Previous Lease "), the concessionary rent payable under the New Lease is S\$115,000 (equivalent to approximately HK\$680,000) per calendar month (inclusive of maintenance charges) plus Goods and Services Tax and shall be paid in advance without any deduction whatsoever on the first day of each month

If there is any default in the payment of any one of the instalments or part thereof or if there is any non-compliance of any of the terms and condition set out in the Agreement, the rent shall be varied and reinstated to S\$120,000 (equivalent to approximately HK\$709,000) per month for the remaining term of the New Lease

The Group intends to finance the rental payments by the internal resources of the Group.

Deposit : S\$230,000 (equivalent to approximately HK\$1,359,000), representing two months' rent, which was transferred from the deposit held under the Previous Lease

The unaudited value of the right-of-use asset to be recognised by the Company under the terms of the New Lease amounted to approximately HK\$15,146,000, representing the present value of the aggregate base rent payable thereunder in accordance with HKFRS 16.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LEASE

The Group is currently leasing the Premises for the operation of one of its fitness centres. The entering into of the New Lease for renewal of the lease of the Premises will enable the Group to continue the operation of the fitness centre at the Premises without incurring additional costs and expenses in identifying, renovating and relocating to alternative premises and ensure continuity for the operations, business and growth of the Group.

The terms of the New Lease, including the rental payments, were determined after arm's length negotiations between the parties after taking into account the prevailing market rent and lease terms of similar premises in the proximity of the Premises as well as the rental payment made by the Group under the Previous Lease. The Directors, including the independent non-executive Directors, considered that the entering into of the New Lease is conducted in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

Landlord

Landlord is a company incorporated in Singapore with limited liability. Based on publicly available information, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Landlord is principally engaged in movie distribution and holding of companies; and (b) each of Landlord and its ultimate beneficial owners (including Lim Fang Hua, his family members and the entity controlled by them) is an Independent Third Party.

Tenant

Tenant is a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company which is principally engaged in operation of fitness centres and provision of consultation services.

INFORMATION OF THE GROUP

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 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.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Company will recognise the unaudited value of right-of-use asset on its consolidated statement of financial position in connection with the New Lease. Accordingly, the transaction contemplated under the New Lease will be regarded as an acquisition of asset by the Company for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset under the New Lease are more than 5% and below 25%, the transaction contemplated under the New Lease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Kontafarma China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1312)
“Director(s)”	the director(s) of the Company
“Goods and Services Tax”	goods and services tax chargeable under the Goods and Services Tax Act 1993 of Singapore and subsidiary legislation gazetted pursuant thereto
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” which include standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associate(s)
“Landlord”	Overseas Movie (Private) Limited, a company incorporated in Singapore with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“New Lease”	the lease dated 26 July 2023 entered into between the Landlord and the Tenant in respect of the Premises
“PRC”	the People’s Republic of China
“Premises”	the premises located at 5 Ang Mo Kio Central 2 Djitsun Mall @ Ang Mo Kio, #04–01 Singapore 569663
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S\$”	Singapore dollars, the lawful currency of Singapore
“Tenant”	True Fitness Pte. Ltd., a company incorporated in Singapore with limited liability
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of S\$1.00 = HK\$5.91 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

By order of the Board of
Kontafarma China Holdings Limited
Bai Pingyan
Chairman

Hong Kong, 26 July 2023

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Bai Pingyan (Chairman), Mr. Chai Hongjie, Mr. Huang Yu (President) and Mr. Jiang Chaowen (Chief Executive Officer); and three independent non-executive directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.