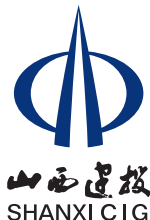


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance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



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 PROVISION OF LOAN TO TRUE CONCEPT IN SUPPORT OF TAIWAN FITNESS BUSINESS

THE LOAN AGREEMENT

On 30 October 2023, the Company (as lender) and True Concept (as borrower) entered into the Loan Agreement, pursuant to which the Company agreed to lend to True Concept a loan in the principal amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) for a term of 60 months, at an interest rate of 10% per annum. True Concept shall apply the Loan as working capital in the ordinary course of business and operation of fitness business in Taiwan.

Prior to the provision of the Loan, the Company had provided to True Concept the Previous Loans, which are outstanding and yet to mature as at the date of this announcement.

LISTING RULES IMPLICATIONS

As all of the applicable Percentage Ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Previous Loans were all less than 5% at the material time, the Previous Loans (on a standalone or aggregated basis) did not constitute discloseable transaction of the Company.

Since the Previous Loans and the Loan are the loans provided by the Company to the same party, they will be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable Percentage Ratios stipulated under Rule 14.07 of the Listing Rules in respect of the principal amounts of the Previous Loans and the Loan in aggregate exceed 5% but are less than 25%, the Loan constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE LOAN AGREEMENT

On 30 October 2023, the Company (as lender) and True Concept (as borrower) entered into the Loan Agreement, pursuant to which the Company agreed to lend to True Concept a loan in the principal amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000). True Concept shall apply the Loan as working capital in the ordinary course of business and operation of fitness business in Taiwan.

The principal terms of the Loan Agreement are set forth below:

Date	:	30 October 2023
Parties	:	(1) the Company (as lender); and (2) True Concept (as borrower)
Principal amount	:	US\$3,500,000 (equivalent to approximately HK\$27,300,000)
Term	:	sixty (60) months commencing from the first drawdown date
Maturity date	:	the date falling sixty (60) months after the first drawdown date, which may be extended if requested in writing by True Concept subject to consent in writing by the Company
Interest	:	at 10% per annum
Repayment	:	True Concept shall repay the full principal of the Loan together with accrued interest on the Loan on or before the maturity date The Company shall have the overriding right at any time by written notice to True Concept to demand immediate repayment of the whole or any part of the Loan and all interest accrued thereon under the Loan Agreement whereupon the same shall be repaid by True Concept within twenty (20) business days from the date of such notice (or such other day as may be designated in writing by the Company)
Default interest	:	If True Concept defaults in repayment on the due date of the Loan, interest or other amounts payable, True Concept shall pay interest on top of such overdue sums from the due date until payment in full (before and after judgment) at the rate of 10% per annum

- Prepayment : True Concept may, at any time after the expiration of 12 months from the first drawdown date, prepay to the Company the whole or part of (i) the Loan and/or (ii) all accrued interest thereon before the maturity date, provided that True Concept shall have given to the Company not less than 3 business days' prior written notice specifying the amount and date of prepayment
- Conditions Precedent : The obligation of the Company to advance the Loan to True Concept is conditional upon:
- (1) all necessary approval, consents, authorisations and licences in relation to the transactions contemplated under the Loan Agreement having been obtained;
 - (2) all representations and warranties made by True Concept in the Loan Agreement shall be true and correct with the same effect as though made on and as of drawdown date with reference to the facts and circumstances then subsisting;
 - (3) no event of default shall have occurred or potential event of default shall have occurred (or would be likely to occur as a result of the Loan being made);
 - (4) the Share Charge has been duly executed by the parties thereto and delivered to the Company; and
 - (5) the Company shall have received and found satisfactory such additional information and documents relating to True Concept as the Company may require
- Share charge : Ultimate Victory (as chargor), being the direct registered and beneficial owner of 11,732,395 fully paid-up shares of True Yoga Cayman (the "**Charged Shares**"), representing 71% of the issued share capital of True Yoga Cayman, has executed the Share Charge in favour of the Company over the Charged Shares as a continuing security for the due and punctual payment of the Loan and interest accrued thereon and the due and punctual performance of all the obligations of True Concept contained in the Loan Agreement

PROVISION OF THE PREVIOUS LOANS

Prior to the provision of the Loan, the Company had provided to True Concept the Previous Loans, which are outstanding and yet to mature as at the date of this announcement. The aggregate principal amounts of the Previous Loans are US\$1,870,000 with the interest of 10% per annum, out of which US\$570,000 together with the interest thereon will be due and payable on 27 March 2024 and US\$1,300,000 together with the interest thereon will be due and payable on 7 July 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

True Yoga Cayman has been accounted for as an associate of the Company in the financial statements of the Company since May 2017 when the Company (through its direct wholly-owned subsidiary, namely Fester Global) acquired from Mr. Patrick John Wee Ewe Seng (through vehicles controlled by him) 29% shareholding in True Yoga Cayman (being the investment holding company holding the fitness business operated by True Concept in Taiwan). Immediately following the aforesaid acquisition, True Yoga Cayman was indirectly owned by Mr. Patrick John Wee Ewe Seng as to 71%. True Yoga Cayman in turn holds the direct entire paid-up registered capital of True Concept. Details of the aforesaid acquisition were disclosed in the announcement of the Company dated 6 May 2017 and the circular of the Company dated 28 July 2017. Shareholding structure of True Yoga Cayman has subsequently been changed. As at the date of this announcement, True Yoga Cayman is owned as to 71% by Ultimate Victory and 29% by Fester Global.

Prior to the outbreak of the COVID-19 pandemic, True Concept operated smoothly in Taiwan and gained a foothold in the local fitness industry. During the COVID-19 pandemic, the entire fitness industry was faced with unprecedented challenges, which has caused distress in their operating cashflow. Nevertheless, with the support from the current majority shareholder (i.e. Ultimate Victory) and the Company, as well as the cost reduction and efficiency enhancement measures taken by the management of True Concept in a timely manner, True Concept showed its resilience during the COVID-19 pandemic.

With the epidemic prevention measures in Taiwan fully lifted at the beginning of 2023, True Concept is entering recovery phase. In the short term, True Concept will require support from the shareholders to continue to drive efficiency and productivity, and build upon its market share in Taiwan, to contribute considerable returns to the Group.

At this point, given that the cooperation with True Concept is the Group's only existing franchise model, the Group hopes and is confident that such franchise model will be replicated in other countries and regions, and the smooth operation of True Concept will serve as a role model for the business.

The terms of the Loan Agreement, including the interest rate, were agreed by the parties after arm's length negotiations having taken into account of the prevailing market interest rates and practices. The funding for the Loan shall be satisfied by internal resources of the Group and it is therefore believed that, based on the information available to the Group as of now including the evaluation on the fitness business operated by True Concept in Taiwan and the financial status of the Group, the provision of the Loan shall not lead to any adverse impact on the Group and shall allow the Group to have a risk-adjusted return in the long run.

In view of the above, the Directors believe that the transaction pursuant to the terms of the Loan Agreement is in the interests of the Company and the Shareholders as a whole and the terms are fair and reasonable.

INFORMATION OF THE COMPANY AND OTHER PARTIES

The Company is an investment holding company and the Group is currently principally engaged in (i) the manufacturing and sales of prescription drugs and active pharmaceutical ingredients 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.

True Concept is a company incorporated in Taiwan with limited liability and paid-up registered capital is indirectly owned as to 29% by the Company. As at the date of this announcement, the principal activities of True Concept include 14 fitness centres in Taiwan with a total floor area of approximately 50,270 square meters and a total number of members of approximately 46,000.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Ultimate Victory is a company incorporated in Cayman Islands with limited liability and is principally engaged in investment holding; (ii) the ultimate beneficial owner of Ultimate Victory is Mr. Wu Shang Tun Mason; and (iii) other than having 71% indirect interest in True Concept (being an associate of the Company), Ultimate Victory and its ultimate beneficial owner are Independent Third Parties.

LISTING RULES IMPLICATIONS

As all of the applicable Percentage Ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Previous Loans were all less than 5% at the material time, the Previous Loans (on a standalone or aggregated basis) did not constitute discloseable transaction of the Company.

Since the Previous Loans and the Loan are the loans provided by the Company to the same party, they will be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable Percentage Ratios stipulated under Rule 14.07 of the Listing Rules in respect of the principal amounts of the Previous Loans

and the Loan in aggregate exceed 5% but are less than 25%, the Loan constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	Kontafarma China Holdings Limited (華控康泰集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board (Stock Code: 1312), being the lender under the Loan Agreement
“Director(s)”	the directors of the Company
“Fester Global”	Fester Global Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and its(their) respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is(are) third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan in principal amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) provided by the Company to True Concept pursuant to the terms of the Loan Agreement

“Loan Agreement”	the loan agreement dated 30 October 2023 entered into between the Company (as lender) and True Concept (as borrower)
“Main Board”	the Main Board of The Stock Exchange of Hong Kong Limited
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Loans”	the two previous loans in the aggregate principal amounts of US\$1,870,000 provided by the Company to True Concept prior to the provision of the Loan, which are outstanding and yet to mature as at the date of this announcement
“Share Charge”	a share charge executed by Ultimate Victory in favour of the Company on 30 October 2023 in relation to 11,732,395 fully paid-up shares in the share capital of True Yoga Cayman as a continuing security for the Loan Agreement
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“True Concept”	True Concept Ltd.* (全真概念健康事業股份有限公司), a company incorporated in Taiwan with limited liability and an associate of the Company in which 29% of the paid-up registered capital is indirectly owned by the Company, being the borrower under the Loan Agreement
“True Yoga Cayman”	True Yoga Holdings Limited (全真瑜珈控股有限公司), a company incorporated in the Cayman Islands, whose issued share capital is owned as to 71% Ultimate Victory and 29% by the Company as at the date of this Announcement
“Ultimate Victory”	Ultimate Victory Limited (至勝有限公司), a company incorporated in the Cayman Islands with limited liability and the majority shareholder of True Concept indirectly owning 71% of the paid-up registered capital of True Concept

“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 30 October 2023

For the purpose of this announcement, unless otherwise indicated, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.0 = HK\$7.8. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in US\$ or HK\$ has been or could have been or may be converted at such or another rate or at all.

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.

* *for identification only*