山西建投
SHANXI CIG

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)

PROFIT WARNING
IMPAIRMENT LOSSES

This announcement is made by Kontafarma China Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on a preliminary assessment of the latest unaudited consolidated management accounts of the Group for the six months ended 30 June 2025 (the "**Period**"), it is expected that the Group will record (i) an impairment loss under expected credit loss model on financial assets in the range of approximately HK$154.2 million to HK$185.3 million; (ii) an impairment loss on intangible assets in the range of approximately HK$112.6 million to HK$123.9 million; and (iii) an impairment loss on goodwill of fitness business segment in the range of approximately HK$80.4 million to HK$88.8 million.

As a result of the aforementioned expected impairment losses, coupled with the decrease in the revenue and gross profit of the Group's pharmaceutical segment due to intensified market competition, the Group is expected to record a consolidated net loss in the range of approximately HK$282.8 million to HK$345.6 million for the Period, compared to the Group's consolidated net loss of approximately HK$4.5 million for the six months ended 30 June 2024. The financial results of the Group for the Period, including the aforementioned impairments losses are subject to, among others, finalisation of the valuation amount by the independent professional valuer, review of the audit committee of the Company (the "**Audit Committee**") and review by the auditor of the Company, and therefore may be subject to further adjustments.

The Board would like to state that the aforementioned impairment losses are one-off non-cash items which do not have impact on the Group's cash flow, operation and liquidity. Reasons for the aforementioned impairment losses are further elaborated below.

REASONS FOR IMPAIRMENT LOSSES

Background

Pursuant to the sale and purchase agreements dated 6 May 2017 made between, among others, Fester Global Limited (a wholly-owned subsidiary of the Company, "**Fester Global**") as purchaser, and Active Gains Universal Limited ("**Active Gains**") and Active Yield Investment Limited (the entities controlled by Mr. Patrick John Wee Ewe Seng) as vendors, the Group acquired 51% equity interest in TFKT True Holdings ("**True Cayman**", together with its subsidiaries, the "**True Cayman Group**") and 29% equity interest in True Yoga Holdings Limited ("**True Yoga Cayman**", together with its subsidiaries, the "**True Yoga Cayman Group**") at the aggregate consideration of US$36,720,000. Details of the said acquisitions were disclosed in the announcements and circular of the Company respectively dated 6 May 2017, 29 May 2017 and 28 July 2017. The True Cayman Group is principally engaged in the fitness business in Singapore, while the True Yoga Cayman Group is principally engaged in the fitness business in Taiwan.

As at the date of this announcement, True Cayman is directly held as to 73% by Fester Global and 27% by Active Gains following the enforcement of the share charge by Fester Global over certain shares of True Cayman then held by Active Gains as a result of the failure of Active Gains to compensate Fester Global in respect of shortfall in the guaranteed profits. Details of the said enforcement of the share charge were disclosed in the announcement of the Company dated 1 February 2021.

Pursuant to the franchise agreement (the "**Franchise Agreement**") dated 29 May 2017 made between True Fitness Holdings (Singapore) Pte. Ltd. (an indirect wholly-owned subsidiary of True Cayman) as franchisor and True Concept Ltd.* (全真概念健康事業股份有限公司) (a direct wholly-owned subsidiary of True Yoga Cayman, "**True Concept**") as franchisee and as supplemented by a supplemental agreement dated 5 March 2018 made between the same parties, the True Cayman Group grants the True Yoga Cayman Group with non-exclusive rights to operate the franchise fitness business in Taiwan for a term of 30 years and True Concept shall pay a monthly franchise fee. The said franchise fee is equivalent to 15% of the relevant gross revenue of the immediately preceding month. Details of the said franchise arrangements were disclosed in the announcements of the Company respectively dated 6 May 2017, 29 May 2017 and 5 March 2018, as well as the circular of the Company dated 28 July 2017.

Under the various loan agreements entered into between the Company as lender and True Concept as borrower, the aggregate outstanding principal amount of the loans granted by the Company to True Concept is US$4,920,000 (equivalent to approximately HK$38,622,000) as at the date of this announcement. Details of the said loan agreements were disclosed in the announcements of the Company dated 30 October 2023 and 24 May 2024.

Management's preliminary assessment

In accordance with Hong Kong Financial Reporting Standards and the Company's accounting policies, the Company has conducted the impairment test on the above-mentioned assets in relation to the Group's fitness business during the preparation of the interim financial report for the Period, taking into account the latest development of the Group's fitness business.

The Company has been continuously monitoring the financial position of True Concept. Recently, the Company became aware of a series of changes over the financial conditions and business performance of True Concept. After communication with the management of True Concept, the Company notes that due to the economic uncertainty and intensifying competition in Taiwan's fitness industry, True Concept has not performed as well as expected in business recovery and is experiencing severe operational difficulties and tight financial resources, and the management are navigating out of the crisis.

In addition, during the first half of this year, the Group's fitness business in Singapore (conducted through the True Cayman Group) underperformed expectations. Given the economic uncertainty and intense competition in the fitness industry in Singapore, the management of the Company maintains a cautious outlook for the Group's fitness business in Singapore in the second half of this year.

In this regard, the Company has conducted an impairment test on (i) the financial assets (comprising loans and franchise fees receivable from True Concept); (ii) the intangible assets in relation to the Franchise Agreement; and (iii) the goodwill of the Group's fitness business segment. To support the management of the Company to determine the recoverable amount of the foregoing items as at 30 June 2025, the Company engaged an independent professional valuer to perform the valuation. According to the valuation results, the recoverable amount of each of the foregoing items is lower than the respective carrying amount, and therefore impairment losses have been recorded for these items.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025 WILL BE PUBLISHED BY THE END OF AUGUST 2025

The information in this announcement is based on a preliminary assessment by the management of the Company according to the unaudited consolidated management accounts of the Group for the Period. Such information has not been finalised, audited or reviewed by the Company's independent auditor, and has not been confirmed by the Audit Committee. Shareholders and potential investors are advised to refer to the details in the results announcement of the Company for the Period, which is expected to be published on or around 28 August 2025. There may be changes or adjustments following review of the unaudited management accounts by the independent auditor of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in shares or other securities of the Company.

By order of the Board of
Kontafarma China Holdings Limited
Wang Feifei
Chairman

Hong Kong, 15 August 2025

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$7.85. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in US$ 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. Wang Feifei (Chairman and President), Ms. Qiao Linna, Ms. Guo Zixiu (Financial Controller) and Mr. Liu Jiankun; one non-executive director, namely Mr. Huang Yu; and three independent non-executive directors, namely Dr. Tang Lai Wah, Dr. Ho Ho Ming and Mr. Yao Xiaomin.