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**同方康泰產業集團有限公司**  
**Tongfang Kontafarma Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1312)**

**(I) MAJOR TRANSACTION RELATING TO ACQUISITION OF  
COMPANIES ENGAGING IN FITNESS BUSINESSES  
AND  
(II) DISCLOSEABLE TRANSACTION AND  
CONTINUING CONNECTED TRANSACTION  
RELATING TO THE FRANCHISE AGREEMENT**

**ACQUISITION OF INTERESTS IN COMPANIES ENGAGING IN FITNESS  
BUSINESSES**

On 6 May 2017, the Company as the guarantor and the Purchaser (a direct wholly owned subsidiary of the Company) entered into the Sale and Purchase Agreements with the respective Vendors and Mr. PJW as warrantor, pursuant to which the Purchaser has conditionally agreed to purchase, and the respective Vendors have conditionally agreed to sell, 51% shareholding in True Cayman and 29% shareholding in True Yoga Cayman for the Consideration in an aggregate sum of US\$36,720,000.

**FRANCHISING ARRANGEMENT**

Upon Completion, Singapore SPV (an indirect wholly owned subsidiary of True Cayman upon Completion) as franchisor will enter into the Franchise Agreement with True Concept (a direct wholly owned subsidiary of True Yoga Cayman) as franchisee for a term of 30 years, pursuant to which Singapore SPV shall grant and provide the True Yoga Cayman Group with non-exclusive rights to operate the Franchise Business in Taiwan in consideration for the payment of 15% of the Gross Turnover of the immediately preceding month as franchise fees.

**IMPLICATIONS UNDER THE LISTING RULES**

**Sale and Purchase Agreements**

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition exceed 25% and are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Sale and Purchase Agreements and the transactions contemplated thereunder, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreements and the transactions contemplated thereunder. The Company will obtain a written shareholder approval from China Health, the controlling Shareholder directly holding 3,263,652,000 Shares, representing approximately 65.93% of the total issued Shares as at the date of this announcement, in lieu of holding a general meeting to approve the Sale and Purchase Agreements and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other information, further details of the Sale and Purchase Agreements and the Acquisition will be despatched to the Shareholders for their reference as soon as practicable. As the Company will need additional time to prepare, among other things, the financial information of the Target Group, the pro forma financial information of, and the indebtedness statement for, the enlarged Group, for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, such that the circular will be despatched to the Shareholders on or before 23 June 2017.

### **Franchise Agreement**

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Franchise Agreement on an annual basis exceed 5% and are less than 25%, the Franchise Agreement will constitute a discloseable transaction for the Company and is subject to notification and announcement requirements under the Listing Rules upon Completion.

Mr. PJW is the ultimate shareholder holding a majority interest in the Target Group as at the date of this announcement. Upon Completion, Mr. PJW remains a substantial shareholder of the Target Group by virtue of controlling over 10% of the voting power at the general meetings of True Cayman (a company to be owned as to 51% by the Group upon Completion). Accordingly, Mr. PJW shall become a connected person of the Company at the subsidiary level upon Completion and the transactions contemplated under Franchise Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Franchise Agreement and they are not required to abstain from voting on the Board resolution in connection with the Franchise Agreement and the Board has approved the Franchise Agreement and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the Franchise Agreement (including the annual caps and duration thereof) are fair and reasonable and on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Franchise Agreement is only subject to notification and announcement but is exempt from the circular, independent financial adviser and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## SALE AND PURCHASE AGREEMENTS

	<b>True Cayman SPA</b>	<b>True Yoga Cayman SPA</b>
<b>Date:</b>	6 May 2017	6 May 2017
<b>Parties:</b>		
<b>Purchaser:</b>	Fester Global, a company incorporated in BVI with limited liability and directly wholly owned by the Company	Fester Global
<b>Guarantor:</b>	the Company	the Company
<b>Vendor:</b>	Active Gains, an investment holding company incorporated in BVI with limited liability, being ultimately controlled by Mr. PJW as at the date of this announcement	Active Yield, an investment holding company incorporated in BVI with limited liability, being ultimately controlled by Mr. PJW as at the date of this announcement
<b>Warrantor:</b>	Mr. PJW, the ultimate controlling shareholder of Active Gains and the Target Group and also a director of each of the Target Companies	Mr. PJW, the ultimate controlling shareholder of Active Yield and the Target Group and also a director of each of the Target Companies
<b>Assets to be acquired:</b>	51% of the entire issued share capital of True Cayman, which will indirectly hold the entire issued share capital of the principal operating companies, namely True Fitness and its subsidiary, True Yoga and True Yoga (Xiamen) upon Completion	29% of True Yoga Cayman, which directly holds the entire issued share capital of True Concept as at the date of this announcement and upon Completion.

Upon Completion, the True Cayman Group, through Singapore SPV (an indirect wholly owned subsidiary of the True Cayman Group) shall then grant and provide the True Yoga Cayman Group with non-exclusive rights to operate the Franchise Business in Taiwan for a term of 30 years and True Concept shall pay a monthly franchise fee pursuant to the Franchise Agreement. Please refer to the section headed “Franchise Agreement” for details.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors together with their respective ultimate beneficial owners and Mr. PJW are Independent Third Parties.

## Consideration and Payment Terms

The Consideration payable by the Purchaser to the Vendors for the Acquisition under the Sale and Purchase Agreements is US\$36,720,000 which shall be satisfied in accordance with the following schedule:

- (i) US\$250,000 (the “**Deposit**”) had been paid and shall be applied as part of the Consideration upon Completion;
- (ii) US\$32,970,000 shall be paid in cash on Completion; and
- (iii) US\$3,500,000 shall be paid on or before the seventh Business Day from the date of availability of the 2017 Accounts (which shall be available on or before 31 March 2018).

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors and on normal commercial terms with references to (i) the profit undertaking provided by Active Gains; (ii) the benefits of the Acquisition as set out in the section headed “Reasons and benefits for entering into Sale and Purchase Agreements and the Franchise Agreement” below; and (iii) the prospect of the Target Group.

The Acquisition will be funded by the internal resources of the Company.

## Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions:

- (i) the restructuring of the Target Group so that the entire issued share capital of True Fitness, True Fitness (STC) Pte. Ltd., True Yoga and True Yoga (Xiamen) shall be indirectly held by True Cayman, and True Cayman and True Yoga Cayman shall be held directly by the respective Vendors;
- (ii) the Sale and Purchase Agreements and all transactions contemplated thereunder having been approved by the Shareholders as required by the Listing Rules;
- (iii) the Sale and Purchase Agreements and the transactions contemplated thereunder not being considered by the Stock Exchange as a “reverse takeover” or a “very substantial acquisition” as defined under Chapter 14 of the Listing Rules;
- (iv) no qualified opinions having been given on the relevant audited accountant reports of the Target Group for the three years ended 31 December 2016;
- (v) all necessary approvals and consents in connection with the Sale and Purchase Agreements and the transactions contemplated thereunder having been obtained by the respective Vendors and/or the Target Group, if required;

- (vi) the warranties provided by the respective Vendors and Mr. PJW remaining true and accurate in all material respects and not misleading in any material respect on and as at Completion; and
- (vii) no material breach of obligations and undertakings given by the respective Vendors and Mr. PJW thereunder to be performed before Completion having occurred.

The Purchaser shall have the right to waive the conditions precedent above (save for the condition (ii) stated above). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreements have not been fulfilled (or, where applicable, waived by the Purchaser) on or before the Long Stop Date, neither the Purchaser nor the Vendors shall be obliged to proceed with Completion. The Deposit shall be treated in the following manner:

- (i) in the absence of any default of the Vendors and the Purchaser and purely because of non-fulfilments of the conditions precedent (other than conditions (ii) and/or (iii) stated above), 50% of the Deposit shall be returned to the Purchaser in cash without any interest within 10 Business Days once it is determined that Completion will not or cannot be proceeded;
- (ii) in the event of the termination of the Sale and Purchase Agreements due to default of the Purchaser or the non-fulfillment of conditions (ii) and/or (iii) stated above and in the absence of any default of the Vendors, the Deposit shall be forfeited in its entirety and there shall be no obligation to return the same to the Purchaser; or
- (iii) in the event of the termination of the Sale and Purchase Agreements due to default of the Vendors (and such default was due to events and circumstance within the direct control of the Vendors) and in the absence of any default of the Purchaser, the whole of the Deposit shall forthwith be returned to the Purchaser in cash without any interest and an amount equal to the amount of Deposit (being US\$250,000) shall be paid to the Purchaser as liquidated damages but not penalty within 10 Business Days once it is determined that Completion will not or cannot be proceeded as compensation.

## **Completion**

The Sale and Purchase Agreements are inter-conditional and completion of both Sale and Purchase Agreements will take place at the same time on the Completion Date which is the fifth Business Day after the fulfilment or waiver of all the conditions precedent, or such other date as may be agreed in writing between the respective Vendor and the Purchaser.

Upon Completion, True Cayman will become an indirect non-wholly owned subsidiary of the Company and True Yoga will become an associate of the Company. The financial results and assets and liabilities of the True Cayman Group will be consolidated with, and accounted for as subsidiaries in, the Company's financial statements.

Save as to the subject matter of the relevant Sale and Purchase Agreements (51% shareholdings in True Cayman and 29% in True Yoga Cayman) and the particulars of the Vendors, the terms and conditions of the Sale and Purchase Agreements are largely identical, except, inter alia, the followings:

### **Profits Undertakings**

It is a term under the True Cayman SPA that each of Active Gains and Mr. PJW undertakes to the Purchaser that if the Audited Net Income as shown in the 2017 Accounts, the 2018 Accounts and the 2019 Accounts shall be less than US\$8,200,000, US\$10,900,000 and US\$13,800,000, respectively (subject to a 10% buffer), Active Gains shall pay to the Purchaser an amount equal to such shortfall on a dollar-to-dollar basis in US dollar on or before the seventh Business Day from the date of availability of the Relevant Accounts which shall be ready on or before 31 March of each of the next three years. For the avoidance of doubt, if any of the shortfall is caused by any additional tax liability incurred by the True Cayman Group under the Franchise Agreement (except for the prevailing corporate tax rate in Singapore), Active Gains shall pay to the Purchaser an amount equal to such shortfall on a dollar-to-dollar basis in US dollar multiplied by the then shareholdings held by Active Gains accordingly.

### **Share Charges**

Pursuant to the True Cayman SPA, Active Gains has also agreed to execute a share charge in favour of the Purchaser in respect of 10,000 shares in True Cayman (representing 20% of the entire issued share capital of True Cayman as at the date of this announcement). In the event that Active Gains fails to compensate the Purchaser in respect of the shortfall in the guaranteed Audited Net Income, the Purchaser shall be entitled to sell or transfer the charged shares to cover such shortfall.

Pursuant to the True Yoga Cayman SPA, to secure the payment of the franchise fee payable by the True Yoga Cayman Group under the Franchise Agreement, Active Yield also agreed to execute, or procure the execution of, share charges in favour of True Cayman in respect of its 71% shareholdings in True Yoga Cayman and the 100% shareholdings in True Concept.

### **Capital Injection**

Pursuant to the True Cayman SPA, the Purchaser undertakes to inject capital in the sum of US\$5,000,000 into True Cayman for expansion by the True Cayman Group in the PRC upon Completion. In the event that Active Gains fails to inject capital on a pro rata basis into True Cayman, the shareholdings held by the Purchaser in True Cayman will be increased to approximately 54% from 51%.

### **Further Undertakings from Mr. PJW**

Pursuant to the True Cayman SPA, Mr. PJW further undertakes to procure the closing down of his controlled fitness related business operations in Thailand and Malaysia by no later than 31 December 2017, failing which franchise fees shall be payable by such operating companies ultimately controlled by Mr. PJW in accordance with the terms of the Franchise Agreement.

## **SHAREHOLDERS' AGREEMENTS**

The parties shall further enter into the Shareholders' Agreements upon Completion to govern their relationship as shareholders of True Cayman and True Yoga Cayman and the management and operation of the Target Group with details as follows:

### **TRUE CAYMAN SHA**

**Date:** Completion Date

**Parties:**

- (i) Purchaser
- (ii) Active Gains
- (iii) True Cayman

### **Board and Management**

The board of directors of True Cayman shall consist of a maximum of five directors, three of which shall be appointed by the Purchaser and two of which shall be appointed by Active Gains. The chairman of the board of directors and the chief executive officer of True Cayman shall be nominated by the Purchaser.

In addition, a four-member executive team will be formed which will be responsible for the day-to-day management of the True Cayman Group, of which three members shall be nominated by the Purchaser and one member shall be nominated by Active Gains.

To maintain the stability of the management of the True Cayman Group, Mr. PJW will continue to be the chief executive officer of True Cayman (as nominated by the Purchaser) for an initial period of three years from the Completion Date, provided that Mr. PJW shall not be guilty of any grave misconduct or wilful neglect in the discharge of his duties as the chief executive officer of True Cayman.

### **Voting**

Except for certain matters of the True Cayman Group which are subject to the unanimous approval of all the directors or shareholders (as the case may be), all resolutions of the directors and shareholders of the True Cayman Group shall be passed by a simple majority vote.

### **Dividend and distribution policy**

True Cayman shall distribute to its shareholders not less than 25% of its net profits after tax lawfully available for distribution in each financial year subject to its board making reasonable provisions and transfers to reserves and repayment of loans/indebtedness and having regard to the strategic or growth plans and/or future needs of True Cayman and the True Cayman Group.



## **Pre-emption rights**

Subject to Active Gains' put option as stated below, each shareholder will have a pre-emption right on the transfer of its shares in True Cayman.

## **Put option**

Active Gains shall be entitled to sell to the Purchaser or its nominee and the Purchaser shall be obliged to purchase from Active Gains 4,500 shares in True Cayman, (representing 9% of Active Gains' shareholdings in True Cayman as at the date of this announcement) at US\$10,800,000 within 15 Business Days upon receipt of the Vendor's notice, provided that the Audited Net Income in the 2017 Accounts shall be not less than US\$8,200,000 (subject to a 10% buffer).

## **Tag-along rights**

On or after 1 April 2020, if any shareholder of True Cayman transfers all or part of its shares in True Cayman to a third party, the remaining shareholder(s) of True Cayman shall have the right to sell its shares on the same terms, and the number of shares that the remaining shareholder(s) shall sell shall be pro-rata to their respective shareholding in True Cayman.

## **Investment Strategy**

It is the intention of the shareholders of True Cayman that the True Cayman Group should achieve an IPO or a Trade Sale by 31 March 2020.

## **Share option plan for key employees**

It is agreed that a share option plan shall be adopted for key employees of True Cayman and True Cayman shall grant share options within 18 months from the Completion Date with the aggregate number of shares that may be issued pursuant to such share option plan shall be 5% of the total number of issued shares of True Cayman on the date of grant of such options.

The Company will issue further announcement and circular in relation to the proposed adoption of the share option plan and grant of share option(s) as and when appropriate in accordance with the Listing Rules.

## **TRUE YOGA CAYMAN SHA**

- Date:** Completion Date
- Parties:**
- (i) Purchaser
  - (ii) Active Yield
  - (iii) True Yoga Cayman



## **Board and Management**

The board of directors of True Yoga Cayman shall consist a maximum of three directors, two of which shall be appointed by Active Yield and one of which shall be appointed by the Purchaser. The chief executive officer of True Yoga Cayman shall be nominated by Active Yield.

In addition, a four-member executive team will be formed which will be responsible for the day-to-day management of the True Yoga Cayman Group, of which three members shall be nominated by Active Yield and one member shall be nominated by the Purchaser.

To maintain the stability of the management of the True Yoga Cayman Group, Mr. PJW will continue to be the chief executive officer of True Yoga Cayman (as nominated by Active Yield) for an initial period of three years from the Completion Date, provided that Mr. PJW shall not be guilty of any grave misconduct or wilful neglect in the discharge of his duties as the chief executive officer of True Yoga Cayman.

## **Voting**

Except for certain matters of the True Yoga Cayman Group which are subject to the unanimous approval of all the directors or shareholders (as the case may be), all resolutions of the directors and shareholders of the True Yoga Cayman Group shall be passed by a simple majority vote.

## **Dividend and distribution policy**

True Yoga Cayman shall distribute to its shareholders not less than 25% of its net profits after tax lawfully available for distribution in each financial year subject to the board making reasonable provisions and transfers to reserves and repayment of loans/indebtedness and having regard to the strategic or growth plans and/or future needs of True Yoga Cayman and the True Yoga Cayman Group.

## **Pre-emption rights**

Each shareholder of True Yoga Cayman will have a pre-emption right on the transfer of its shares in True Yoga Cayman.

## **Tag-along rights**

On or after 1 April 2020, if any shareholder of True Yoga Cayman transfers all or part of its shares in True Yoga Cayman to a third party, the remaining shareholder(s) of True Yoga Cayman shall have the right to sell its shares on the same terms, and the number of shares that the remaining shareholder(s) shall sell shall be pro-rata to their respective shareholding in True Yoga Cayman.

## FRANCHISE AGREEMENT

Upon Completion, the True Cayman Group shall then grant and provide the True Yoga Cayman Group with non-exclusive rights to operate the Franchise Business in Taiwan for a term of 30 years and True Concept shall pay a monthly franchise fee with details as set out below.

**Date:** Completion Date

**Parties:**

**Franchisor:** Singapore SPV, a company to be incorporated in Singapore with limited liability, which shall be indirectly wholly owned by True Cayman upon Completion, an investment holding company

**Franchisee:** True Concept, a company incorporated in Taiwan with limited liability, principally engaged in the operation of fitness centres in Taiwan and is ultimately controlled by Mr. PJW as at the date of this announcement and shall be indirectly owned as to 29% by the Purchaser upon Completion

**Subject Matter:** Singapore SPV shall grant to the True Yoga Cayman Group the non-transferable right and license to operate the Franchise Business at each specified premises in Taiwan under the proprietary rights owned by or available to the Franchisor in strict accordance with the system developed and implemented by the Franchisor.

**Term:** An initial term of 30 years commencing from the Completion Date, and the Franchise Agreement may be extended for additional terms of three years following the expiry of the initial term at the discretion of the Franchisor.

**Fee:** A royalty fee for the Franchise Business equivalent to 15% of the Gross Turnover of the immediately preceding month.

The royalty fee for the Franchise Business shall be adjusted to 17.5% if the Gross Turnover exceeds SG\$7,500,000 per month.

The Directors are of the view that the Franchise Business is the core business of the Target Group and consider that it is necessary for the term of the Franchise Agreement to be of such duration (which is more than three years), which is in the interests of the Company and the Shareholders as a whole.

## Opinion from Beijing Securities

The Company has engaged Beijing Securities as the independent financial advisor to provide independent advice in respect of the Franchise Agreement pursuant to the requirement under Rule 14A.52 of the Listing Rules to explain why a period exceeding three years for the Franchise Agreement is required and to confirm that it is normal business practice for agreements of this type to be of a duration longer than three years.

Beijing Securities has taken into account the following factors when formulating its independent opinion pursuant to Rule 14A.52 of the Listing Rules:

- (a) Pursuant to the Franchise Agreement, the Franchisor has granted the right to the Franchisee, on a royalty basis, the non-exclusive rights to operate the Franchise Business under the brand “True Fitness” and “True Yoga” at specified premises in Taiwan under the proprietary rights owned by or available to the Franchisor in strict accordance with the system developed and implemented by the Franchisor.
- (b) In order to ensure that the Franchisee is able to continue the operation of the fitness centres without disruption and to keep up with all the regular maintenance of the premises and equipment, it is practical and commercially sensible to enter into a franchise agreement for a duration of longer than three years. A short duration may give rise to uncertainties on the operation of the fitness centres by the Franchisee and as such, it is reasonable to expect a relatively long term for such franchise agreement.
- (c) It is also anticipated that the Franchisee shall incur significant investment costs in the purchase of equipment and to renovate the fitness centres in order to maintain its competitiveness in the market. Further, it is also expected that the Franchisee shall also be required to upkeep the conditions of the fitness centres and the equipment regularly. A longer view is required for these and therefore a longer duration under the Franchise Agreement will provide assurance to the Franchisee to invest in the upkeep of the fitness centres and the equipment which is conducive to attracting new members as well as building customer’s loyalty. In return, when a long range plan is in place, the Franchisee is able to devote more resources to the business and be able to generate stable revenue therefrom and as a result, to improve the business of the Franchisee as well as to contribute to the royalty fee payable to the Franchisor.
- (d) It is also beneficial to the Franchisor to enter into the Franchise Agreement of a longer duration as the Franchisee is familiar with the local market and the royalty fee generated will be able to bring a constant income stream to the Group.
- (e) In considering whether it is normal business practice for the Franchise Agreement to have a duration longer than three years, Beijing Securities has also conducted research on other companies with similar franchise operations to the Franchise Business (“**Comparables**”). In the course of its review, it noted that in general the terms of the franchise agreement of the Comparables have a duration of longer than three years.

Having considered the principal factors set out above, Beijing Securities is of the view that it is a normal business practice for the Franchisor and the Franchisee to enter into the Franchise Agreement which is of a duration longer than three years.

## **Basis of royalty fee percentage**

The royalty fee percentage under the Franchise Agreement was arrived at arm's length negotiation, taking into account the Franchisor's target of fee maximization and the Franchisee's target of maintaining reasonable return and sufficient cash for expansion after paying franchisee fee.

## **Proposed annual caps and basis**

The proposed annual caps for the three years ending 31 December 2019 for the Franchise Agreement are set out as follows:

<b>For the year ending 31 December</b>		
<b>2017</b>	<b>2018</b>	<b>2019</b>
<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
35.82	91.81	117.67

This is a new transaction, and there was not any historical figure available for reference. In principle, the higher the annual caps, the more favourable to the Company and the Shareholders as a whole. The proposed annual caps were determined with reference to the following:

- (i) compound annual growth rate of True Concept's Gross Turnover of approximately 28% between 2017 and 2019, based on the historical growth rate of True Concept between 2014 and 2016; and
- (ii) royalty fee percentage under the Franchise Agreement.

## **INFORMATION ON THE TARGET GROUP**

The Target Group is principally engaged in the operation of fitness and wellness groups comprising mainly fitness, yoga, spa and aesthetics groups in Singapore, Taiwan and PRC, under the brand "True Fitness" and "True Yoga". As at the date of this announcement, the Target Group is operating 26 fitness centres in Singapore, Taiwan and PRC with a total floor area of approximately 65,900 square meters and a total number of members of approximately 107,000. Details of the Target Group Companies are set out as follows:

### **True Cayman**

True Cayman is an investment holding company incorporated in the Cayman Islands with limited liability on 13 April 2017. As at the date of this announcement, it was indirectly owned as to approximately 82.32% by Mr. PJW and approximately 17.68% by other minority shareholders. Upon Completion, it shall be owned as to 51% by the Purchaser and as to 49% by Active Gains and it shall indirectly wholly own True Yoga (Xiamen), Singapore SPV, True Fitness, True Fitness (STC) Pte. Ltd. and True Yoga.

## **True Fitness**

True Fitness is a company incorporated in Singapore with limited liability in August 1997. As at the date of this announcement, it is wholly owned by CJ Group Pte. Ltd. (a company owned indirectly as to approximately 82.32% by Mr. PJW and approximately 17.68% by other minority shareholders). Upon Completion, it shall be indirectly wholly owned by True Cayman. Currently, it operates 7 fitness centres in Singapore with a total floor area of approximately 13,900 square meters and a total number of members of approximately 32,500.

## **True Fitness (STC) Pte. Ltd.**

True Fitness (STC) Pte. Ltd. is a company incorporated in Singapore with limited liability in May 2002. As at the date of this announcement, it was directly wholly owned by True Fitness. Currently, it operates one fitness centre in Singapore with a total floor area of approximately 2,830 square meters and a total number of members of approximately 6,900.

## **True Yoga**

True Yoga is a company incorporated in Singapore with limited liability in August 2004. As at the date of this announcement, it is wholly owned by CJ Group Pte. Ltd. Upon Completion, it shall be indirectly wholly owned by True Cayman. Currently, it operates 2 fitness centres in Singapore with a total floor area of approximately 1,600 square meters and a total number of members of approximately 6,800.

## **True Yoga (Xiamen)**

True Yoga (Xiamen) is a company incorporated in the PRC with limited liability on 14 November 2011. As at the date of this announcement, it was indirectly wholly owned by True Yoga Cayman. Upon Completion, it shall be indirectly wholly owned by True Cayman. Currently, it operates 2 fitness centres in Xiamen city, PRC with a total floor area of approximately 3,930 square meters and a total number of members of approximately 3,800.

## **True Yoga Cayman**

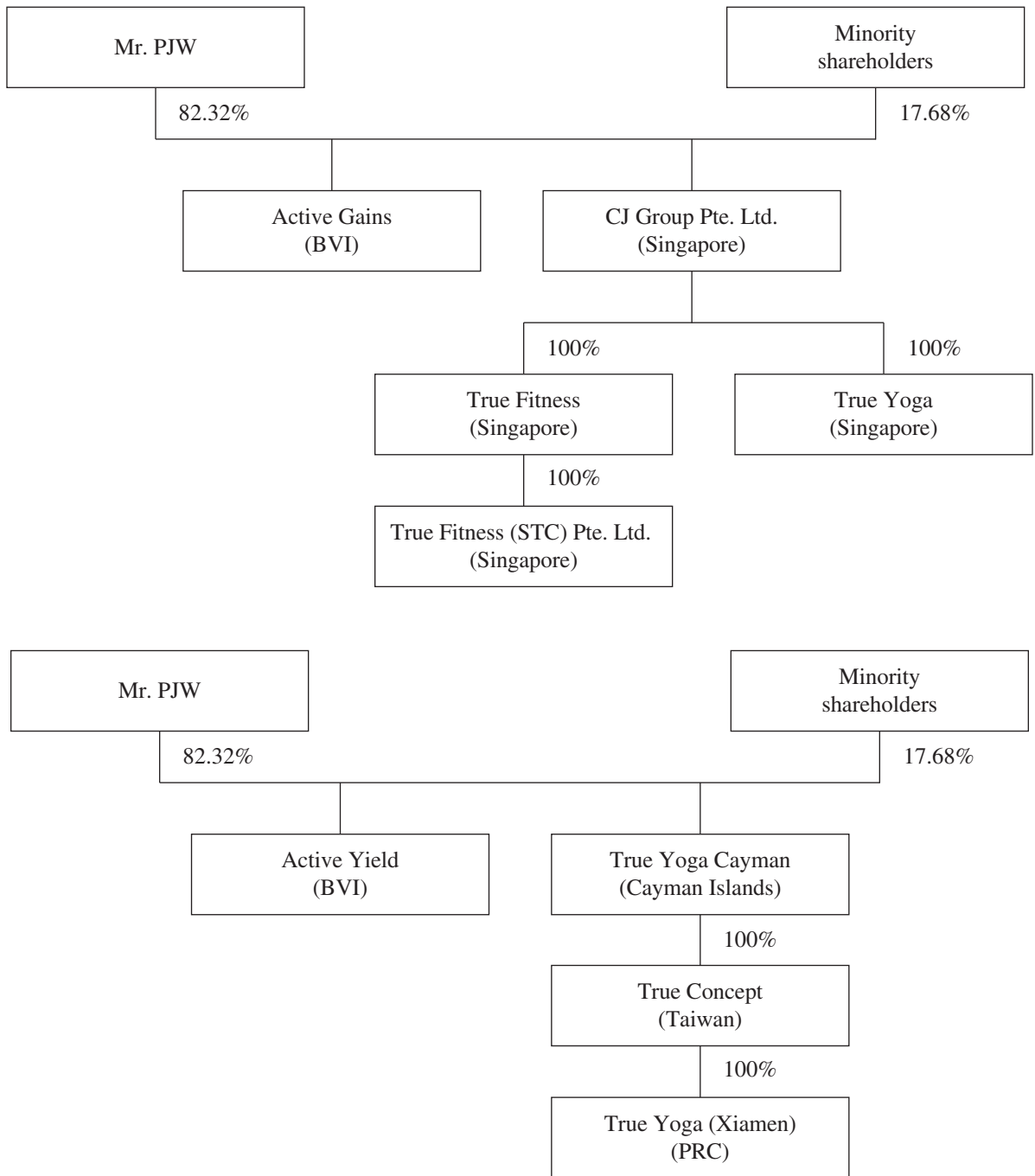
True Yoga Cayman is an investment holding company incorporated in the Cayman Islands with limited liability in July 2014. As at the date of this announcement, it was indirectly owned as to approximately 82.32% by Mr. PJW and approximately 17.68% by other minority shareholders. Upon Completion, it shall be owned as to 29% by the Purchaser and as to 71% by Active Yield and it shall still directly wholly own True Concept.

## **True Concept**

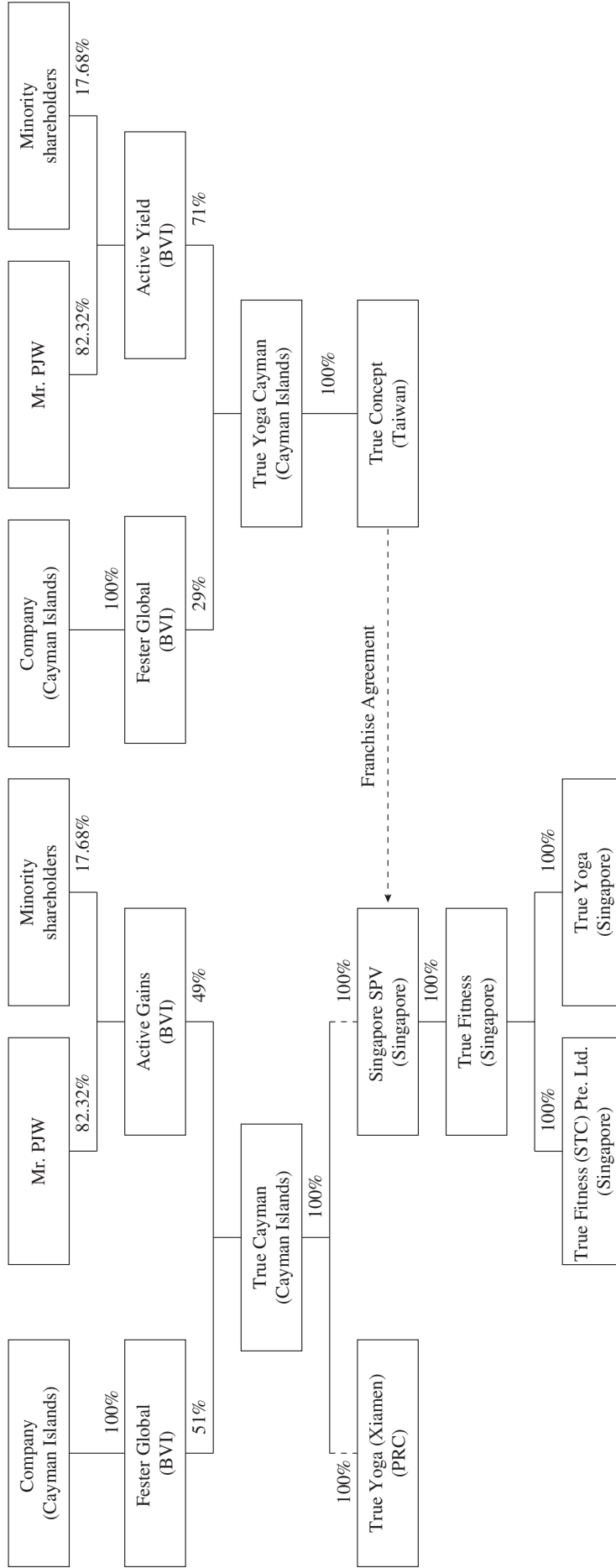
True Concept is a company incorporated in Taiwan with limited liability in August 2005. As at the date of this announcement, it is directly wholly owned by True Yoga Cayman and it is operating 14 fitness centres in Taiwan with a total floor area of approximately 43,640 square meters and a total number of members of approximately 57,000.

The structures of the Target Group as at the date of this announcement and upon Completion are set out as follows:

**As at the date of this announcement**



## Upon Completion





Based on the financial statements of principal companies comprising the Target Group prepared in accordance with IFRS, the respective audited financial information for each of the two financial years ended 31 December 2015 and 2016 was as follows:

**True Fitness and its subsidiary**

	<b>For the year ended/ As at 31 December 2016 HK\$'000 (audited)</b>	<b>For the year ended/ As at 31 December 2015 HK\$'000 (audited)</b>
Revenue	252,966	246,145
Net profits before taxation	425	3,508
Net profits after taxation	425	3,508
Net assets	21,067	20,641

**True Yoga**

	<b>For the year ended/ As at 31 December 2016 HK\$'000 (audited)</b>	<b>For the year ended/ As at 31 December 2015 HK\$'000 (audited)</b>
Revenue	40,775	50,904
Net losses before taxation	(15,383)	(24,437)
Net losses after taxation	(15,383)	(24,437)
Net liabilities	(229,390)	(214,008)

**True Yoga Cayman and its subsidiaries (including True Concept and True Yoga (Xiamen))**

	<b>For the year ended/ As at 31 December 2016 HK\$'000 (audited)</b>	<b>For the year ended/ As at 31 December 2015 HK\$'000 (audited)</b>
Revenue	339,871	274,207
Net profits before taxation	9,716	6,921
Net profits after taxation	4,477	6,371
Net assets	54,103	49,377

An accountant's report containing the audited consolidated financial information on the principal companies comprising the Target Group will be included in the circular to be despatched by the Company to the Shareholders in relation to the Acquisition.

## **REASONS AND BENEFITS FOR ENTERING INTO SALE AND PURCHASE AGREEMENTS AND THE FRANCHISE AGREEMENT**

The Group is principally engaged in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong province and Shanghai and manufacturing and sales of prescription drugs, other pharmaceutical-related businesses and pharmaceutical research and testing in the PRC.

The Purchaser is an investment holding company and except for entering into the Sale and Purchase Agreements, it does not have any business operation since incorporation.

The Board has reviewed the business of the Group and has been actively exploring medical, pharmaceutical and health industry business and other investment opportunities. The transactions are in line with the business strategy of the Group as fitness centres belong to universal health industry. In tandem with the growth of economy, health awareness in Taiwan, Singapore and the PRC is invariably growing. The future developments of True Cayman Group and True Yoga Cayman Group, as fitness centre operators, well fit in this favourable trend. Meanwhile, the Group can diversify its income sources geographically.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreements and the Franchise Agreement (including the annual caps and duration thereof) have been entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Sale and Purchase Agreements**

As more than one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition exceed 25% and are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Sale and Purchase Agreements and the transactions contemplated thereunder, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreements and the transactions contemplated thereunder. The Company will obtain a written shareholder approval from China Health, the controlling Shareholder directly holding 3,263,652,000 Shares, representing approximately 65.93% of the total issued Shares, as at the date of this announcement, in lieu of holding a general meeting to approve the Sale and Purchase Agreements and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other information, further details of the Sale and Purchase Agreements and the Acquisition will be despatched to the Shareholders for their reference as soon as practicable. As the Company will need additional time to prepare, among other things, the financial information of the Target Group, the pro forma financial information of, and the indebtedness statement for, the enlarged Group for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, such that the circular will be despatched to the Shareholders on or before 23 June 2017.

### **Franchise Agreement**

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Franchise Agreement, on an annual basis, exceed 5% and are less than 25%, the Franchise Agreement will constitute a discloseable transaction for the Company and is subject to notification and announcement requirements under the Listing Rules upon Completion.

Mr. PJW is the ultimate shareholder holding a majority interest in the Target Group as at the date of this announcement. Upon Completion, Mr. PJW remains a substantial shareholder of the Target Group, by virtue of controlling over 10% of the voting power at the general meetings of True Cayman (a company owned as to 51% by the Group upon Completion). Accordingly, Mr. PJW shall become a connected person of the Company at the subsidiary level upon Completion and the transactions contemplated under Franchise Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Franchise Agreement and they are not required to abstain from voting on the Board resolution in connection with the Franchise Agreement and the Board has approved the Franchise Agreement and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the Franchise Agreement (including the annual caps and duration thereof) are fair and reasonable and on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Franchise Agreement is only subject to notification and announcement but is exempt from the circular, independent financial adviser and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the same meanings set out below:

“2017 Accounts”	the audited consolidated financial statements of the True Cayman Group for the financial year ending 31 December 2017 prepared in accordance with the IFRS
“2018 Accounts”	the audited consolidated financial statements of the True Cayman Group for the financial year ending 31 December 2018 prepared in accordance with the IFRS
“2019 Accounts”	the audited consolidated financial statements of the True Cayman Group for the financial year ending 31 December 2019 prepared in accordance with the IFRS
“Acquisition”	the proposed acquisition of the Sale Shareholdings by the Purchaser from the respective Vendors pursuant to the Sale and Purchase Agreements
“Active Gains”	Active Gains Universal Limited, a company incorporated in BVI with limited liability, being the vendor under the True Cayman SPA
“Active Yield”	Active Yield Investment Limited, a company incorporated in BVI with limited liability, being the vendor under the True Yoga Cayman SPA
“Audited Net Income”	the audited consolidated net profit after tax attributable to the True Cayman Group as shown in the Relevant Accounts
“Board”	the board of the Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“BVI”	the British Virgin Islands
“China Health”	China Health Management Investment Limited, a company incorporated under the laws of BVI with limited liability, and the controlling Shareholder directly holding 3,263,652,000 Shares, representing approximately 65.93% of the total issued Shares, as at the date of this announcement
“Company”	Tongfang Kontafarma Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1312)

“Completion”	completion of the sale and purchase of the Sale Shareholdings and performance by the parties of their respective obligations pursuant to the terms of the Sale and Purchase Agreements
“Completion Date”	the fifth Business Day following the fulfilment or waiver of the relevant conditions precedent under the Sale and Purchase Agreements
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Acquisition under the Sale and Purchase Agreements, being US\$36,720,000
“Director(s)”	the director(s) of the Company
“Fester Global” or “Purchaser”	Fester Global Limited, a company incorporated in BVI with limited liability and a direct wholly owned subsidiary of the Company, being the purchaser under the Sale and Purchase Agreements
“Franchise Agreement”	the franchise agreement to be entered into upon Completion between the Franchisor and True Concept in relation to the Franchise Business in Taiwan
“Franchise Business”	the business of operating and managing each channel of distribution located within Taiwan offering merchandise and services for sale by reference to the system and using the proprietary marks in Taiwan in accordance with the Franchise Agreement
“Franchisor” or “Singapore SPV”	a special purpose vehicle to be incorporated in Singapore with limited liability, which shall be indirectly wholly owned by True Cayman upon Completion, being the franchisor under the Franchise Agreement
“Gross Turnover”	the gross receivables derived from all merchandise and services sold or rendered by the Franchise Business during the specified period, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Franchise Business including any loss of profits insurance claim; provided, however, that Gross Turnover shall not include any value added taxes or other taxes collected from customers by the Franchisee for transmittal to the appropriate taxing authority. Specifically, gross receivables for services are to be accounted for, as and when the services are performed, on a straight-line time apportioned basis

“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“Independent Financial Adviser” or “Beijing Securities”	Beijing Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company in relation to the term of the Franchise Agreement pursuant to the requirement under Rule 14A.52 of the Listing Rules
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“IPO”	an initial public offering of shares in the capital of the relevant company on the main board or growth enterprise market of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	22 May 2017, or such other date as the parties may agree in writing
“Mr. PJW”	Mr. Patrick John Wee Ewe Seng, the ultimate shareholder holding a majority interests in the Target Group
“PRC”	the People’s Republic of China
“Relevant Accounts”	collectively, the 2017 Accounts, the 2018 Accounts and/or the 2019 Accounts (as the case may be)
“Sale and Purchase Agreements”	collectively, the True Cayman SPA and the True Yoga Cayman SPA

“Sale Shareholdings”	51% shareholding of True Cayman and 29% shareholding of True Yoga Cayman held by the respective Vendors as at the Completion Date
“SG\$”	Singapore dollar(s), the lawful currency of the Republic of Singapore
“Share(s)”	the ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders’ Agreements”	collectively, the True Cayman SHA and the True Yoga Cayman SHA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Taiwan”	the Republic of China (Taiwan)
“Target Companies”	collectively, True Cayman and True Yoga Cayman
“Target Group”	the True Cayman Group and the True Yoga Cayman Group as at the Completion Date, and “member(s) of the Target Group” or “Target Group Company(ies)” shall be construed accordingly
“Trade Sale”	(a) a sale, lease, transfer or other disposition of all or substantially all of the assets of True Cayman, (b) a sale, transfer or other disposition of a majority of the issued and outstanding share capital of True Cayman or a majority of the voting power of True Cayman; or (c) a merger, consolidation or other business combination of True Cayman with or into any other business entity in which the shareholders of True Cayman immediately after such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity
“True Cayman”	TFKT True Holdings, a company incorporated in the Cayman Islands with limited liability, which shall be owned as to 51% by the Purchaser and 49% by Active Gains upon Completion



“True Cayman Group”	True Cayman and its subsidiaries (including principally True Fitness, True Yoga and True Yoga (Xiamen))
“True Cayman SHA”	the shareholders’ agreement to be entered into among the Purchaser, Active Gains and True Cayman upon Completion to govern the shareholder relationship in the True Cayman Group
“True Cayman SPA”	the sale and purchase agreement dated 6 May 2017 entered into among the Company as guarantor, the Purchaser, Active Gains and Mr. PJW as warrantor in relation to, among other things, the acquisition of 51% shareholdings in True Cayman
“True Concept”	全真概念健康事業股份有限公司 (True Concept Ltd.*), a company incorporated in Taiwan with limited liability, which is wholly owned by True Yoga Cayman as at the date of this announcement and upon Completion
“True Fitness”	True Fitness Pte. Ltd., a company incorporated in Singapore with limited liability, which is ultimately controlled by Mr. PJW as at the date of this announcement, and shall become a company indirectly wholly owned by True Cayman upon Completion
“True Yoga”	True Yoga Pte. Ltd., a company incorporated in Singapore with limited liability, which is ultimately controlled by Mr. PJW as at the date of this announcement, and shall become a company wholly owned by the True Fitness upon Completion
“True Yoga Cayman”	True Yoga Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which shall be owned as to 29% by the Purchaser and 71% by Active Yield upon Completion
“True Yoga Cayman Group”	True Yoga Cayman and its subsidiary (namely, True Concept)
“True Yoga Cayman SHA”	the shareholders’ agreement to be entered into among the Purchaser, Active Yield and True Yoga Cayman upon Completion to govern the shareholder relationship in the True Yoga Cayman Group

“True Yoga Cayman SPA”	the sale and purchase agreement dated 6 May 2017 entered into among the Company as guarantor, the Purchaser, Active Yield and Mr. PJW as warrantor in relation to, among other things, the acquisition of 29% shareholdings in True Yoga Cayman
“True Yoga (Xiamen)”	群真(廈門)健身休閒有限公司 (True Yoga (Xiamen) Co., Ltd.*), a company incorporated in PRC with limited liability, which is directly wholly owned by True Concept as at the date of this announcement, and shall become a company indirectly wholly owned by True Cayman upon Completion
“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	collectively, Active Gains and Active Yield
“%”	per cent.

By Order of the Board  
**Tongfang Kontafarma Holdings Limited**  
**Huang Yu**  
*Chairman*

Hong Kong, 6 May 2017

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Huang Yu (Chairman), Mr. Ng Qing Hai (Managing Director) and Mr. Zhang Yi and three independent non-executive Directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.*

\* for identification only