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Alpha Professional Holdings Limited

阿爾法企業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 948)

COMPLETION AND SUPPLEMENTAL INFORMATION OF DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GREAT EMPIRE INTERNATIONAL GROUP LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Reference is made to the announcement dated 24 December 2018 (the “**Announcement**”) issued by Alpha Professional Holdings Limited (the “**Company**”) in relation to the Acquisition. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise specified herein.

COMPLETION OF THE ACQUISITION

The Board is pleased to announce that Completion took place on 29 January 2019 and 50,842,000 Consideration Shares have been allotted and issued to the Vendor at the issue price of HK\$1.857 per Consideration Share. Upon Completion, the Target Company has become a direct wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the accounts of the Group.

* *For identification purposes only*

Effect on shareholding structure of the Company

Set out below is the shareholding structure of the Company immediately before and after Completion:

Name of Shareholders	Immediately before Completion		Immediately after Completion	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Alpha Professional Development Limited (<i>Note</i>)	177,965,114	70.0%	177,965,114	58.3%
Vendor	–	–	50,842,000	16.7%
Public Shareholders	<u>76,269,269</u>	<u>30.0%</u>	<u>76,269,269</u>	<u>25.0%</u>
Total	<u>254,234,383</u>	<u>100.0%</u>	<u>305,076,383</u>	<u>100.0%</u>

Note:

Alpha Professional Development Limited is owned as to 50% by Mr. Xiong Jianrui and as to 50% by Mr. Yi Peijian. Therefore, each of Mr. Xiong Jianrui and Mr. Yi Peijian is deemed to be interested in the 177,965,114 Shares held by Alpha Professional Development Limited.

SUPPLEMENTAL INFORMATION IN RELATION TO THE ACQUISITION

The Company would also like to provide the following further information relating to the Acquisition to the Shareholders and potential investors of the Company.

Basis of Consideration

As disclosed in the Announcement, the Consideration was determined between the Vendor and the Company after arm's length negotiation and on normal commercial terms, with references to (i) the preliminary valuation of 100% equity interests in Zoken Biology, the principal operating subsidiary of the Target Group, of HK\$118.0 million based on the Valuation Report; and (ii) the historical financial performance of the Target Group and its future prospect.

Valuation

The Company has engaged an independent valuer to perform a valuation on Zoken Biology for the purpose of the Acquisition (the "Valuation").

As set out in the preliminary Valuation Report, under the market approach, the independent valuer has obtained information on listed companies engaging in the similar industry and line of business and their share trading price ratios against various economic measures have been analysed for comparison purpose, especially (i) a P/E ratio of 17.6 times, representing the industry median P/E ratio; and (ii) the latest financial information of Zoken Biology, representing the 12-month trailing earnings for the period from November 2017 to October 2018 has been adopted in the Valuation. A lack of marketability discount of 30% has been applied in the Valuation.

In addition, in order to ensure the Consideration properly reflects the value of the Target Group, Completion is subject to, among others, receipt of the Valuation Report by the Company.

Historical financial performance of the Target Group and its future prospect

As disclosed in the Announcement, the Target Group reported unaudited (i) revenue of approximately HK\$3.0 million and HK\$68.5 million for the years ended 31 December 2016 and 31 December 2017, respectively; and (ii) loss of approximately HK\$25.9 million for the year ended 31 December 2016 and profit of approximately HK\$6.2 million for the year ended 31 December 2017. Other than Zoken Biology, each of the Target Group Companies has no material operations, assets and liabilities.

Zoken Biology was acquired by the GE SZ in 2014 and at the time of the acquisition, the scale of Zoken Biology's operation was small. Since GE SZ becomes owner of Zoken Biology and during the period between years 2014 to 2016, heavy investments and costs have been spent on staff recruitment, marketing of its advanced clinical technology service in anti-cancer related biotherapeutics fields and research and development in cancer biotherapy in order to revamp the business model of Zoken Biology. In late 2016, Zoken Biology applied for two patents on the application of biotherapeutics technology in cancer therapy, and also substantial investments were made in research and development during 2016, resulting in a loss of approximately HK\$25.9 million for the year ended 31 December 2016. Zoken Biology resumed normal operation in 2017 and the Target Group recorded a revenue of approximately HK\$68.5 million and a profit of approximately HK\$6.2 million for the year ended 31 December 2017.

Given that Zoken Biology has established stable business cooperation with eight Level III Grade A hospitals across the PRC (the "**Hospitals**") by entering into technical services agreements (the "**Technical Services Agreements**") with the Hospitals for fifteen years starting from 2014 and the potential benefits to be derived from the Acquisition as discussed in the paragraph below headed "Reasons and benefits of the Acquisition" in this announcement, the Directors consider that the Target Group will continuously generate revenue and profit with satisfactory growth.

In addition, the Consideration represents a discount of approximately 20% to the preliminary valuation of Zoken Biology. The discount was arrived at after arm's length negotiation between the parties, considering the relatively short track record performance of the Target Group.

Based on the foregoing reasons, the Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Reasons and benefits for the Acquisition

As stated in the Company's published financial reports, the Directors focused on the development and expansion of the mobile handset business to enhance the Group's profitability.

Though a positive trend has been observed, as disclosed in the Announcement and the Company's interim report for the six months ended 30 September 2018, the Company's mobile handset business is facing keen competition and uncertainties from domestic and foreign economic conditions and market environment and thus the performance of the Group may be affected. In view of the above, the Directors consider it prudent to explore diverse business opportunities in other sectors (including the Target Group) in order to diversify and broaden the Group's source of income.

The size of the Target Group is relatively small to the Group and the Acquisition will not introduce any major change to the Group's business. In addition, the Target Group has stable income flow, strong management expertise and the growth potential in the fast-growing healthcare industry in the PRC.

Income flow from Technical Services Agreements

As disclosed in the Announcement, the Target Group provides technical services relating to anti-cancer related biotherapeutics research and clinical technology for medical institutions. Currently, Zoken Biology has established stable business cooperation with the Hospitals by entering into the Technical Services Agreements with the Hospitals, which secures steady income flow for the Target Group.

Management expertise

The Target Group is equipped with a strong medical research and development team whose members have the relevant knowledge, experience, and expertise to manage and operate the Target Group's business in the PRC and below are the biographical details of the senior management of the Target Group:

Professor Li Yiming ("**Professor Li**") is the chief executive officer of Zoken Biology and is responsible for the overall operation and management of Zoken Biology. He is also a professor in Southern University of Science and Technology in Shenzhen, China. Professor Li received his doctor's degree in Biochemistry from Uppsala University in 1997 and conducted his postdoctoral research at Harvard Medical School. He has extensive research experience in the isolation & purification and analysis of protein and has published a number of research papers in international academic journals.

Professor Jiang Meisheng ("**Professor Jiang**") is the technical director of Zoken Biology. He is also an associate professor of Department of Molecular & Medical Pharmacology in School of Medicine of University of California, Los Angeles ("**UCLA**") and the director of ES Cells & Transgenic Mice Shared Resource in Jonsson Comprehensive Cancer Center of UCLA. He obtained his doctor's degree in Molecular Biology from Department of Molecular Microbiology and Immunology of the University of Southern California in 1994. Professor Jiang has extensive experience in the research of molecular biology and stem cells and has published a number of research papers in international academic journals.

Professor Liu Chunming ("**Professor Liu**") is the technical director of Zoken Biology. He is currently a professor of the Department of Molecular & Cellular Biochemistry in Markey Cancer Center in the University of Kentucky, engaging in, among others, fundamental and translational research in cancer. Professor Liu obtained his doctor's degree in Purdue University in 1997 and completed his postdoctoral fellowship in Harvard Medical School in 2003. He has published a number of research papers in international academic journals.

Despite the fact that the Target Group's business is new to the Group, the Directors consider that the Group can leverage on the continuing support of the existing experienced management team to ensure efficient operation of the Target Group's business after the Acquisition. In addition, subject to the growth and business needs of the Target Group, the Directors may strengthen the management team of the Group by increasing the number of healthcare professionals to assist the Directors in managing the Target Group's business.

Fast-growing healthcare industry in the PRC

The healthcare industry in the PRC has been experiencing a significant and rapid growth over the recent years, driven by a combination of socioeconomic factors, including but not limited to active support from the PRC government, continuous increase in disposable income and health awareness, urbanisation, population ageing and increasing coverage of social medical insurance.

Based on the statistics published by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) ("NHC"), from 2015 to 2017, the national total healthcare expenditure increased from RMB4.1 trillion to RMB5.2 trillion, and the healthcare expenditure per capita increased from RMB2,980.8 to RMB3,712.2. In addition, based on the latest available information published by NHC in 2015, the incidence rate and mortality rate of cancers in the PRC had been increasing for the past twenty years up to 2015. There were around 3.1 million new cancer cases diagnosed and around 2 million deaths due to cancers each year. NHC expects that along with the acceleration of population ageing, the incidence rate and mortality rate of cancers in the PRC will continue to increase.

Having considered the above factors, the Directors expect that there will be a significant growth potential in the Target Group's business and the Group will be able to capture the market opportunities in the fast-growing healthcare industry in the PRC by (i) expanding the scale of business cooperation with the Hospitals and other medical institutions; and (ii) capturing the potential opportunities in the digital healthcare market leveraging the Group's experience and expertise in the communication industry and its focus on the application of fifth generation mobile technology for its future development. In addition, the settlement of the consideration by the issue of Consideration Shares under General Mandate allows the Group to complete the Sale and Purchase Agreement without any cash outlay and to maintain its liquidity position and financial leverage with readily available and accessible cash resources for its daily operations.

Save as disclosed above, all information and contents set out in the Announcement remain unchanged.

On behalf of the Board
Alpha Professional Holdings Limited
XIONG Jianrui
Chairman

Hong Kong, 29 January 2019

As at the date of this announcement, the executive Directors are Mr. Xiong Jianrui and Mr. Yi Peijian, and the independent non-executive Directors are Mr. Lin Tao, Mr. Khoo Wun Fat William and Mr. Cui Songhe.