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TATA Health International Holdings Limited

TATA 健康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO DISPOSAL OF PROPERTIES

THE DISPOSAL

On 27 September 2021, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Expression of Interest which sets out the terms and conditions on which the Purchaser is interested, in principle, in purchasing certain properties held by the Vendor with an exclusivity period from the date of the Expression of Interest up to 31 December 2021. An earnest money of HK\$3 million has been paid by the Purchaser to the Vendor upon the signing of the Expression of Interest.

The Board is pleased to announce that on 31 December 2021, the Vendor and the Purchaser entered into the Formal Agreement, pursuant to which the Vendor shall sell and the Purchaser shall acquire from the Vendor the Properties, for a Consideration of HK\$41.0 million, subject to the conditions and terms in the paragraph headed “Conditions” below.

The Vendor also agreed to lease the Properties (other than Car Park No. 51) to the Group at an annual rental of HK\$1,704,000 for a term of one year commencing from the Completion Date.

Listing Rules Implications

As the Purchaser is indirectly held as to 73.5% by Mr. Chong Hot Hoi (who was a director of the Vendor in the past 12 months and therefore a connected person of the Company at the subsidiary level) and 26.5% by Mr. Chu Chun Ho, Dominic (a non-executive Director), the Disposal constitutes a connected transaction for the Company at the subsidiary level. As (i) the Purchaser is an associate of Mr. Chong Hot Hoi, who is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are more than 5% and less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the Tenancy Agreement on a standalone basis and together with the Existing Tenancies are less than 5% and the aggregate annual rentals are less than HK\$3,000,000, the transactions contemplated under the Tenancy Agreement are fully exempt from the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

EXPRESSION OF INTEREST

On 27 September 2021, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Expression of Interest which sets out the terms and conditions on which the Purchaser is interested, in principle, in purchasing certain properties in Hong Kong with an exclusivity period from the date of the Expression of Interest up to 31 December 2021. An earnest money of HK\$3 million has been paid by the Purchaser to the Vendor upon the signing of the Expression of Interest.

Pursuant to the Expression of Interest, if (i) by the last day of the exclusivity period, the Formal Agreement has not been signed by the parties thereto or (ii) the discussions or negotiations in respect of the disposal have ended at any time before the last date of the exclusivity period, the Vendor shall, upon receipt of the Purchaser's written demand, return the earnest money to the Purchaser within three (3) working days after the date of such written demand. If the Formal Agreement is signed by the parties, the earnest money shall automatically be credited and treated as a part of the Consideration payable by the Purchaser.

FORMAL AGREEMENT

The Board is pleased to announce that on 31 December 2021, the Vendor entered into the Formal Agreement with the Purchaser, pursuant to which the Vendor shall sell and the Purchaser shall acquire from the Vendor the Properties, for a Consideration of HK\$41.0 million, subject to the conditions and terms in the paragraph headed “Conditions” below.

The principal terms of the Formal Agreement are as follows:

Date

31 December 2021

Parties

- (i) Kong Tai Sundry Goods Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as the Vendor. The Vendor is principally engaged in the trading of footwear products; and
- (ii) Real Champ Investment Limited, a company incorporated in Hong Kong with limited liability, as the Purchaser. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser is a special purpose vehicle incorporated solely for the purpose of holding the Properties.

Properties to be disposed of

The Properties comprise Workshops A, B, C, D and E on 6/F of Block 2 and Car Park No. 51 on Ground Floor of Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong.

As at the date of this announcement, save for Car Park No. 51 which has been leased to an independent third party since 1 December 2020 at a monthly rental of HK\$7,000, the Properties have been occupied by the Group for its own use. Accordingly, Car Park No. 51 is sold subject to and with the benefit of the tenancy agreement. Save for the rental income generated from Car Park No. 51 since 1 December 2020 of HK\$7,000 per month, no rental income was generated by the Properties for the two preceding financial years.

Consideration

The Consideration of HK\$41.0 million shall be settled by the Purchaser to the Vendor as follows:

- (i) an earnest money of HK\$3 million has been paid upon the signing of the Expression of Interest; and

- (ii) the balance of HK\$38 million shall be settled in cash of HK\$1 million and by offsetting an equivalent amount of HK\$37 million outstanding loans due from the Vendor to the Purchaser, on the Completion Date.

The Consideration was determined after arm's length negotiations between the parties thereto on normal commercial terms taking into account of (i) the valuation of the Properties of HK\$41.9 million as at 31 October 2021 conducted by an independent valuer, namely Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**"); and (ii) the proposed offers made by agents of three independent purchasers to the Vendor ranging from HK\$39.5 million to HK\$40 million.

Having considered the above and the factors described under the section headed "Reasons for and the benefits of the Disposal" below, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

The Completion shall occur on or before 11 February 2022 (or such other dates as agreed by the parties) subject to the following conditions:

- (i) save as disclosed in the due diligence or the Formal Agreement, the Properties being free from any encumbrances, lawsuits, claims and assertions of any interests by any other parties;
- (ii) the Properties being in the same state of repair and condition as on the date of the Formal Agreement subject only to fair wear and tear;
- (iii) any mortgages or charges on the Properties (or any part thereof) having been discharged and released at the costs of the Vendor before Completion;
- (iv) on Completion, the Vendor shall deliver to the Purchaser vacant possession of those parts of the Properties which are not subject to an existing tenancy; and
- (v) as far as the Vendor is aware, there are no outstanding actions, disputes, proceedings, claims, demands or liabilities (contingent or otherwise) relating to the Properties made against the Vendor, and as far as the Vendor is aware there is no fact or circumstance which may give rise to any such actions, disputes, proceedings, claims, demands or liabilities (contingent or otherwise).

LEASEBACK

Pursuant to the Tenancy Agreement, the Group agreed to lease back the Properties (save for Car Park No. 51 which is under an existing tenancy) at an annual rental of HK\$1,704,000 for a term of one year commencing from the Completion Date. The rental

was agreed after arm's length negotiations between the parties thereto with reference to the location and condition of the Properties and the prevailing market rentals of the Properties according to the fair rent letter issued by the Independent Valuer.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the carrying value of the Properties (being approximately HK\$6.9 million as at 30 June 2021 in accordance with the unaudited management accounts of the Group) and the Consideration of HK\$41.0 million, it is expected that the Company will realise a gain from the Disposal (before expenses) of approximately HK\$34.1 million in total, being the difference between the Consideration and the carrying value of the Properties as at 30 June 2021.

It is intended that the estimated net cash proceeds from the Disposal of approximately HK\$3.4 million will be fully applied towards the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activity of the Company is investment holding, whilst its major operating subsidiaries are engaged in the trading of footwear products and healthcare products and the provision of financial services and online medical services.

As disclosed in the interim report for the six months ended 30 June 2021 of the Company, the Group's footwear retail business and healthcare business were seriously affected by the COVID-19 epidemic. The Group recorded net loss of approximately HK\$31.7 million for the six months ended 30 June 2021. Moreover, taking into account the Group's financial position for the six months ended 30 June 2021, the Group recorded a high gearing ratio (which equals to total debt to total equity) of approximately 160% as at 30 June 2021. In view of the uncertainties and challenges brought by the ongoing COVID-19 pandemic, the current financial position and business operations of the Group and the property market in Hong Kong, the Directors believe that the Disposal represents a good opportunity for the Group to realize its investment in the Properties with considerable gain, improve the Group's gearing position and enhance the Group's liquidity. The terms of the Formal Agreement were arrived at by the Vendor and the Purchaser after arm's length negotiations and were on normal commercial terms. The leaseback, on the other hand, would allow the Group to continue to use the Properties and avoid any relocation expenses and material disruption to its operations. As such, the Directors consider the Disposal to be a more efficient usage of the capital previously deployed in the Properties.

Based on the above, the Directors (including the independent non-executive Directors but excluding Mr. Chu Chun Ho, Dominic, a non-executive Director, who is considered to be interested in the transactions contemplated under the Formal Agreement and the Tenancy Agreement by virtue of his indirect 26.5% shareholding interest in the Purchaser, and therefore has not participated in the discussions in relation to the Formal Agreement and the Tenancy Agreement and has abstained from voting on the Board resolutions to approve the same) consider that the transactions contemplated

under the Formal Agreement and the Tenancy Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the Formal Agreement and the Tenancy Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is indirectly held as to 73.5% by Mr. Chong Hot Hoi (who was a director of the Vendor in the past 12 months and therefore a connected person of the Company at the subsidiary level) and 26.5% by Mr. Chu Chun Ho, Dominic (a non-executive Director), the Disposal constitutes a connected transaction for the Company at the subsidiary level. As (i) the Purchaser is an associate of Mr. Chong Hot Hoi, who is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are more than 5% and less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In accordance with HKFRS 16, the Group has elected not to recognize right-of-use assets and lease liabilities for leases which, at the commencement date, have a lease term of twelve months or less. The Group recognizes the lease payments associated with such leases as an expense on a straight-line basis over the lease term. As such, the transactions contemplated under the Tenancy Agreement will not be regarded as an acquisition of right-of-use assets.

As the applicable percentage ratios in respect of the annual rental under the Tenancy Agreement on a standalone basis and together with the Existing Tenancies are less than 5% and the aggregate annual rentals are less than HK\$3,000,000, the transactions contemplated under the Tenancy Agreement are fully exempt from the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	TATA Health International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Properties in accordance with the terms and conditions of the Formal Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Disposal in the sum of HK\$41.0 million
“Directors”	the directors of the Company
“Disposal”	the disposal of the Properties by the Vendor to the Purchaser subject to and upon the terms and conditions of the Formal Agreement
“Existing Tenancies”	(i) the tenancy agreement dated 31 August 2021 entered into between the Vendor (as tenant) and Becking Investment Limited (a company wholly-owned by Mr. Chong Hot Hoi and his family members) (as landlord) for the lease of Workshops A and E on 11/F of Block 2 of Kwai Tak Industrial Centre at a monthly rental of HK\$40,000 for the period from 1 August 2021 to 31 July 2023; and (ii) the tenancy agreement dated 15 December 2020 entered into between the Vendor (as tenant) and Mr. Chong Hok Shan (as landlord) for the lease of Workshops G and H on 11/F of Block 2 and Car Park No. 32 on Ground Floor of Kwai Tak Industrial Centre at a monthly rental of HK\$38,500 for the period from 1 November 2020 to 31 October 2022

“Expression of Interest”	the expression of interest dated 27 September 2021 entered into between the Purchaser and the Vendor in relation to the interest expressed by the Purchaser in acquiring the Properties
“Formal Agreement”	the sale and purchase agreement dated 31 December 2021 entered into between the Purchaser and the Vendor in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	the properties comprising Workshops A, B, C, D and E on 6/F of Block 2 and Car Park No. 51 on Ground Floor of Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong
“Purchaser”	Real Champ Investment Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Loyal Treasure Holdings Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 73.5% by Mr. Chong Hot Hoi and as to 26.5% by Mr. Chu Chun Ho, Dominic (a non-executive Director)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement to be entered into between the Vendor (as lessee) and the Purchaser (as lessor) in relation to leasing of the Properties (other than Car Park No. 51) from Completion Date

“Vendor”

Kong Tai Sundry Goods Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

By Order of the Board
TATA Health International Holdings Limited
Yang Jun
Chairman

Hong Kong, 31 December 2021

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yang Jun and Mr. Lai Wenjing; four non-executive Directors, namely, Mr. Lin Zheming, Mr. Lin Jun, Mr. Chu Chun Ho, Dominic and Mr. Chen Anhua; and three independent non-executive Directors, namely, Mr. Xie Rongxing, Prof. Yan Haifeng and Ms. Tan Yuying.