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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kontafarma China Holdings Limited**, you should at once hand this circular, the accompanying form of proxy and the 2022 Annual Report to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SECURITIES
AND BUY BACK SHARES, PROPOSED AMENDMENT TO
THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of Kontafarma China Holdings Limited (the “**Company**”) to be held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 9 June 2023 at 11:00 a.m. (the “**AGM**”) is set out on pages 18 to 23 of this circular.

If you do not intend to attend the AGM but wish to exercise your right as a shareholder of the Company (the “**Shareholders**”), you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

27 April 2023

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DEFINITIONS

In this circular (other than in the notice of AGM), unless the context otherwise requires, the following expressions have the following respective meanings:

“2022 Annual Report”	the annual report of the Company for the year ended 31 December 2022
“AGM”	the annual general meeting of the Company to be held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 9 June 2023 at 11:00 a.m., notice of which is set out on pages 18 to 23 of this circular
“Articles” or “Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors
“Buy-Back Mandate”	the general and unconditional mandate to the Directors to exercise the powers of the Company to buy back the fully paid up Shares not exceeding 10% of the total number of the issued Shares as at the date of passing of the relevant resolution
“China Health”	China Health Management Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a Controlling Shareholder of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Kontafarma China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, with its Shares listed on the Main Board of the Stock Exchange (Stock Code: 1312)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive Director(s)”	the executive director(s) 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 PRC

DEFINITIONS

“Independent Non-Executive Director(s)”	the independent non-executive director(s) of the Company
“Issue Mandate”	the general and unconditional mandate to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant resolution
“Latest Practicable Date”	19 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company currently in force
“New Memorandum and Articles of Association”	the third amended and restated memorandum and articles of association of the Company incorporating and consolidating the Proposed Amendment proposed to be adopted by the Shareholders with effect from the passing of the relevant special resolution at the AGM
“Nomination Committee”	the nomination committee of the Board
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Amendment”	the proposed amendment to the existing Memorandum and Articles of Association as set out in Appendix III to this circular
“Sanjin Guotou”	Ningbo Free Trade Zone Sanjin Guotou Private Equity Fund Partnership Enterprise (Limited Partnership)* (寧波保稅區三晉國投股權投資基金合夥企業(有限合夥)), a limited partnership enterprise established under the laws of the PRC and a Controlling Shareholder of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Shanxi Construction”	Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司), a company established under the laws of the PRC with limited liability and a Controlling Shareholder of the Company
“Share(s)”	ordinary share(s) of nominal value of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Warranty”	Shenzhen Warranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司), a company established under the laws of the PRC with limited liability, which indirectly owns the entire issued share capital of China Health, and a Controlling Shareholder of the Company
“State-owned Capital Operation Co.”	Shanxi State-owned Capital Operation Co., Ltd.* (山西省國有資本運營有限公司) (formerly known as Shanxi State Capital Investment and Operation Co., Ltd.* (山西省國有資本投資運營有限公司)), a company established under the laws of the PRC and a Controlling Shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs as approved by the Securities and Futures Commission in Hong Kong
“Tsinghua Tongfang”	Tsinghua Tongfang Co., Ltd.* (同方股份有限公司), a company established under the laws of the PRC
“%”	per cent.

* For identification purpose only

Reference to time and dates in this circular are to Hong Kong time and dates.



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)

Executive Directors:

Mr. Bai Pingyan (*Chairman*)
Mr. Chai Hongjie
Mr. Huang Yu (*President*)
Mr. Jiang Chaowen (*Chief Executive Officer*)

Independent Non-Executive Directors:

Mr. Chan Sze Chung
Mr. Zhang Ruibin
Mr. Zhang Junxi Jack

Registered Office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place
of business:*

Room 12A09–12A20, 12A/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

27 April 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SECURITIES
AND BUY BACK SHARES, PROPOSED AMENDMENT TO
THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding certain resolutions to be proposed at the AGM and to give you the notice of the AGM. Resolutions to be proposed at the AGM include, among other businesses, ordinary resolutions on (i) the re-election of the retiring Directors; (ii) the grant of the Issue Mandate; (iii) the grant of the Buy-Back Mandate and (iv) the extension of the Issue Mandate; and special resolution on (v) the Proposed Amendment to the Memorandum and Articles of Association.

LETTER FROM THE BOARD

RE-ELECTION OF THE RETIRING DIRECTORS

As at the Latest Practicable Date, the Board consists of seven (7) Directors, namely Mr. Bai Pingyan, Mr. Chai Hongjie, Mr. Huang Yu, Mr. Jiang Chaowen, Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.

Article 109 of the Articles provides that at each annual general meeting of the Company, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three (3) years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three (3) years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

Pursuant to Article 109 of the Articles, Mr. Bai Pingyan, Mr. Chai Hongjie and Mr. Zhang Junxi Jack shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

In accordance with code provision B.3.4 of the Part 2 of Appendix 14 of the Listing Rules, the Nomination Committee has assessed and reviewed the re-election of Mr. Zhang Junxi Jack as an Independent Non-Executive Director. Mr. Zhang has served the Company for over seven (7) years, he is familiar with the businesses of the Group. His education, background, experience and qualifications allow him to provide valuable and relevant insights to, and contribute to the diversity of, the Board. The Nomination Committee has also assessed and reviewed the Independent Non-Executive Directors' annual written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that all the Independent Non-Executive Directors remain independent.

LETTER FROM THE BOARD

The Nomination Committee has reviewed the biographical details of each of the retiring Directors with reference to the nomination policy and board diversity policy of the Company and is satisfied that Mr. Bai Pingyan, Mr. Chai Hongjie and Mr. Zhang Junxi Jack have the required characters, integrity and experiences to continuously fulfil their roles as Executive Directors and Independent Non-Executive Director, respectively. The Nomination Committee recommended their re-elections. Therefore, upon the nomination of the Nomination Committee, the Board has recommended the re-election of the abovementioned retiring Directors as Directors at the AGM. Each of Mr. Bai Pingyan, Mr. Chai Hongjie and Mr. Zhang Junxi Jack had abstained from voting at the relevant Board meeting on the respective propositions of their recommendations for re-election by the Shareholders.

Pursuant to Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any directors proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting.

The brief biographical and other details of the Directors proposed to be re-elected are set out in Appendix I to this circular. If a valid notice from a Shareholder to propose a person to stand for election as a Director at the AGM is received after the printing of this circular, the Company will issue a supplementary circular to inform the Shareholders of the details of the additional candidate proposed.

GENERAL MANDATES TO ISSUE SECURITIES AND BUY BACK SHARES

At the annual general meeting of the Company held on 10 June 2022, ordinary resolutions were passed for the granting of general and unconditional mandates to the Directors (i) to allot, issue or otherwise deal with additional securities of the Company not exceeding 20% of the issued Shares as at that date of passing of such resolution (the “**Existing Issue Mandate**”), being 1,117,714,355 Shares; and (ii) to buy back Shares not exceeding 10% of the issued Shares as at that date of passing of such resolution (the “**Existing Buy-Back Mandate**”), being 558,857,177 Shares.

The Existing Issue Mandate and the Existing Buy-Back Mandate will expire upon the conclusion of the AGM. The Directors consider that the Existing Issue Mandate and the Existing Buy-Back Mandate increase the flexibility in dealing with the Company's affairs and are in the interests of both the Company and the Shareholders as a whole, and that the same shall continue to be adopted by the Company.

Ordinary resolutions will be proposed at the AGM for the granting of the Issue Mandate as set out in Resolution No. 5(A) of the notice of AGM. Subject to the passing of the resolution granting the Issue Mandate and on the basis that no further securities are issued and no Shares are bought back before the AGM, the Company will be allowed under such mandate to issue a maximum of 1,117,714,355 Shares, representing 20% of the issued Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

In addition, ordinary resolution will also be proposed at the AGM for the granting of Buy-Back Mandate as set out in Resolution No. 5(B) of the notice of AGM. A resolution authorising the extension of the Issue Mandate to include the aggregate number of such Shares bought back (if any) under the Buy-Back Mandate is to be proposed at the AGM as Resolution No. 5(C) of the notice of AGM.

With reference to the proposed new general mandates, the Directors, as at the Latest Practicable Date, wish to state that they have no immediate plans to issue any new securities of the Company pursuant to the relevant mandates.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against Resolution No. 5(B) to be proposed at the AGM in relation to the proposed Buy-Back Mandate is set out in Appendix II to this circular.

PROPOSED AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

As disclosed in the announcement of the Company dated 24 March 2023, the Board proposes to amend the existing Memorandum and Articles of Association for the purpose of, providing that the Shareholders may by ordinary resolution, rather than a special resolution, to remove the Company's auditor in order to conform to the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules. Please refer to Appendix III to this circular for details of the Proposed Amendment.

The Board proposes to put forward to the Shareholders for approval at the AGM a special resolution to amend the existing Memorandum and Articles of Association and to adopt the New Memorandum and Articles of Association in the form to be tabled at the AGM in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association. The Chinese translation of the proposed New Memorandum and Articles of Association is for reference only. In case of any discrepancy or inconsistency between the English version and its Chinese translation, the English version shall prevail. Prior to the passing of the special resolution at the AGM, the existing Memorandum and Articles of Association shall remain valid.

The legal advisers to the Company as to Hong Kong laws and the Cayman Islands law have respectively confirmed that the New Memorandum and Articles of Association conform with the applicable requirements under the Listing Rules and are not inconsistent with the laws of the Cayman Islands. The Company confirms that there is nothing unusual about the New Memorandum and Articles of Association for a Cayman Islands company listed on the Stock Exchange.

LETTER FROM THE BOARD

THE AGM AND PROXY ARRANGEMENT

The notice convening the AGM to be held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 9 June 2023 at 11:00 a.m. is set out on pages 18 to 23 of this circular. A copy of the 2022 Annual Report is despatched to the Shareholders together with this circular. Ordinary resolutions in respect of, *inter alia*, the re-election of the Directors, the grant of Issue Mandate, the grant of Buy-Back Mandate and the extension of the Issue Mandate, and special resolution in respect of the Proposed Amendment to the Memorandum and Articles of Association will be proposed at the AGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all resolutions proposed at the AGM will be put to vote by way of poll. An announcement on the results of the poll will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

A form of proxy for the AGM is enclosed with this circular. If you do not intend to attend the AGM but wish to exercise your right as a Shareholder, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors consider that the resolutions to be proposed at the AGM, including ordinary resolutions on (i) the re-election of Directors; (ii) the grant of the Issue Mandate; (iii) the grant of the Buy-Back Mandate; (iv) the extension of the Issue Mandate; and special resolution on (v) the Proposed Amendment to the Memorandum and Articles of Association are each in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. In case of any inconsistency between the English version and the Chinese version of this circular, the English version shall prevail.

Yours faithfully,
For and on behalf of the Board
Kontafarma China Holdings Limited
Bai Pingyan
Chairman

The brief biographical details of the Directors proposed to be re-elected at the forthcoming AGM are set out as follows:

Mr. Bai Pingyan, aged 51, was appointed as an executive Director and the chairman of the Board on 27 September 2021 and 19 April 2022 respectively. He is also the chairman of each of the executive committee, the nomination committee, the share dealing committee and the investment committee of the Board. Mr. Bai has extensive experience in corporate and finance management. He is currently the chairman of the board of directors of Shenzhen Waranty, and the chief accountant of Shanxi Construction. Prior to joining the Group, Mr. Bai had been the deputy head of the finance department and head of equity investment department of Huayang New Material Technology Group Co., Ltd.* (華陽新材料科技集團有限公司) (formerly known as Yangquan Coal Industry (Group) Co., Ltd.* (陽泉煤業(集團)有限責任公司)), the chief accountant and director of Shanxi Zhaofeng Aluminum Industry Co., Ltd.* (山西兆豐鋁業有限責任公司), the chief accountant of Yangquan Coal Industry Chemical Group Co., Ltd.* (陽泉煤業化工集團有限責任公司) and the deputy general manager and chief accountant of Shanxi Yangmei Chemical Investment Co., Ltd.* (山西陽煤化工投資有限責任公司). Mr. Bai had also been the director of Yangmei Chemical Co., Ltd. (陽煤化工股份有限公司) (stock code: 600691), the issued shares of which are listed on the Shanghai Stock Exchange, the chairman of the board of directors and general manager of Yangquan Coal Industry Group Tian'an Industry Incubator Co., Ltd.* (陽泉煤業集團天安產業孵化器有限責任公司) and the chairman of the board of directors and general manager of Yangquan Coal Industry Group Huaneng Coal Power Investment Co., Ltd.* (陽泉煤業集團華能煤電投資有限責任公司). Mr. Bai obtained a Master of Business Administration degree at the Nankai University in June 2009. He was qualified as a senior accountant* (正高級會計師) in December 2019.

A service contract has been entered into between the Company and Mr. Bai, and Mr. Bai does not receive any Director's fee from the Company. There is no designated length of service under the service contract of Mr. Bai and the Company but he will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office.

Save as disclosed above, Mr. Bai did not (i) have any relationship with any other Director, senior management, Substantial or Controlling Shareholder of the Company; (ii) have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; and (iii) hold any other directorship in listed public companies in Hong Kong or overseas during the past three years.

There are no other matters or information in relation to Mr. Bai that need to be brought to the attention of the Shareholders or to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Mr. Chai Hongjie, aged 49, was appointed as an executive Director on 3 September 2020. He is a member of each of the executive committee and the share dealing committee of the Board. Mr. Chai served as the chairman of the Board from September 2020 to April 2022. Mr. Chai has extensive experience in corporate management and strategic planning for business development. He is currently a director of Shenzhen Warranty, and the director and the general manager of Shenzhen Huakong Seg Co., Ltd. (stock code: 000068), the issued shares of which are listed on the Shenzhen Stock Exchange. Prior to joining the Group, Mr. Chai held positions as chairman of the board, director and senior management in various companies and organisations, including Changzhi Division of China Banking Regulatory Commission* (中國銀行業監督管理委員會長治銀監分局), Jinshang Bank Co., Ltd. (stock code: 2558), the H shares of which are listed on the Main Board of the Stock Exchange, Shanxi Guoxin Investment Group Co., Ltd.* (山西國信投資集團有限公司), Zhonghesheng Capital Management Co., Ltd.* (中合盛資本管理有限公司), Shanxi Financial Investment Holding Group Co., Ltd.* (山西金融投資控股集團有限公司), Shanxi State-owned Capital Operation Co., Ltd.* (山西省國有資本運營有限公司), and Shanxi Guotou Sports Industrial Group Co., Ltd.* (山西國投體育產業集團有限公司). He had also been the chairman of the board of directors of Shenzhen Warranty and a director of several listed companies, including Shanxi Securities Company Limited (stock code: 002500), the issued shares of which are listed on the Shenzhen Stock Exchange, and GuangYuYuan Chinese Herbal Medicine Co., Ltd. (stock code: 600771), the issued shares of which are listed on the Shanghai Stock Exchange. Mr. Chai obtained a bachelor's degree in Economics from Department of Finance, Shanxi Institute of Economics* (山西財經學院) (now known as Shanxi University of Economics* (山西財經大學)) in July 1996. He was qualified as an intermediate accountant* (中級會計師) in May 1997.

A service contract has been entered into between the Company and Mr. Chai, and Mr. Chai does not receive any Director's fee from the Company. There is no designated length of service under the service contract of Mr. Chai and the Company but he will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office.

Save as disclosed above, Mr. Chai did not (i) have any relationship with any other Director, senior management, Substantial or Controlling Shareholder of the Company; (ii) have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; and (iii) hold any other directorship in listed public companies in Hong Kong or overseas during the past three years.

There are no other matters or information in relation to Mr. Chai that need to be brought to the attention of the Shareholders or to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Mr. Zhang Junxi Jack, aged 59, was appointed as an independent non-executive Director on 21 August 2015. Mr. Zhang is also the chairman of the risks management committee and a member of each of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. Zhang has over 30 years of teaching and research experience in the field of economics, finance and business management. He graduated from the Nankai University with a bachelor degree in Physics in July 1983, and obtained a Master of Business Administration (MBA) degree in July 1986 and a doctoral degree in the Department of Economics at the University of Pittsburgh in the United States in August 1992. Since August 1992, Mr. Zhang has taught in a number of renowned universities worldwide, including The Chinese University of Hong Kong, University of Dundee in the United Kingdom, National University of Singapore and The University of Hong Kong. Mr. Zhang served as a vice president of the Tianjin University of Finance and Economics from 2012 to 2018, and he is currently the dean of faculty of business at Chu Hai College of Higher Education in Hong Kong. From February 2013 to December 2019, he was an independent director of China Bohai Bank Co., Ltd. (stock code: 9668), the issued shares of which are listed on the Stock Exchange since 2020.

An appointment letter which forms the basis of emoluments has been entered into between the Company and Mr. Zhang, pursuant to which (i) his term of appointment shall continue until 20 August 2024, subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to (a) a Director's fee of HK\$10,000 per annum, which was determined by the Board and shall be subject to the approval by the Shareholders; and (b) a service fee of HK\$108,150 per annum. The remuneration of Mr. Zhang was determined with reference to the prevailing market conditions and the terms of the Company's remuneration policy.

Mr. Zhang has also given an annual confirmation of his independence to the Company, and has been assessed by the Nomination Committee to be independent.

Save as disclosed above, Mr. Zhang did not (i) have any relationship with any other Director, senior management, Substantial or Controlling Shareholder of the Company; (ii) have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; and (iii) hold any other directorship in listed public companies in Hong Kong or overseas during the past three years.

There are no other matters or information in relation to Mr. Zhang that need to be brought to the attention of the Shareholders or to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

** For identification purpose only*

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the AGM in relation to the proposed Buy-Back Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 5,588,571,777 issued Shares.

Subject to the passing of the proposed resolution granting the Buy-Back Mandate and on the basis that no further Shares are issued and no Shares are bought back before the AGM, the Company will be allowed under the Buy-Back Mandate to buy back a maximum of 558,857,177 Shares, representing 10% of the issued Shares as at the AGM date up to the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or any applicable laws of the Cayman Islands; or (iii) the revocation or variation of the resolution of the Shareholders in general meeting of the Company.

REASONS FOR BUY-BACKS

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to buy back Shares on the Stock Exchange. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such a buy-back will benefit the Company and the Shareholders as a whole.

The Directors would exercise the Buy-Back Mandate in circumstances where they consider that the buy-back would be in the best interests of the Company and in circumstances where they consider that the Shares can be bought back on the terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, if the Buy-Back Mandate was to be exercised in full at any time during the proposed buy-back period, it may have an adverse impact on the working capital and gearing level of the Company.

The Directors do not propose to exercise the Buy-Back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements of the Company or the gearing level which, in the opinion of the Directors, are from time to time appropriate for the Company.

FUNDING OF BUY-BACKS

Buy-backs to be made pursuant to the Buy-Back Mandate would be financed out of funds legally available for such purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Such funds include, but are not limited to, profits available for distribution.

EFFECT OF THE TAKEOVERS CODE

Upon the exercise of the power to buy back Shares pursuant to the Buy-Back Mandate, a Shareholder's proportionate interests in the voting rights of the Company increase, and such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the Shareholders' interests, may become obliged to make a mandatory general offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date and on the date assuming the Buy-Back Mandate is exercised in full, the shareholding interests of the Substantial Shareholders of the Company were as follows:

Name of Shareholder(s)	Number of Shares interested	Approximate % of the total number of Shares in issue as at the Latest Practicable Date	Approximate % of the total number of Shares in issue should the Buy-Back Mandate be exercised in full
State-owned Capital Operation Co. and its associates ⁽¹⁾	3,172,778,000	56.77%	63.08%
Tsinghua Tongfang and its associates ⁽²⁾	513,994,000	9.20%	10.22%

Notes:

- (1) China Health directly holds 3,172,778,000 Shares, representing approximately 56.77% of the issued Shares. Shenzhen Waranty, through its wholly-owned subsidiary, namely Waranty Assets Management (HK) Limited, owns 100% interests in the issued share capital of China Health and is therefore deemed to have an interest in the Shares in which China Health is interested. The equity interest of Shenzhen Waranty is held by Shanxi Construction as to approximately 46.40% and by Sanjin Guotou as to approximately 45.50%, whereas Shanxi Construction owns 46.38% interests in the registered capital of Sanjin Guotou. Shanxi Construction and Sanjin Guotou are therefore deemed to have an interest in the Shares in which Shenzhen Waranty is interested. Shanxi Transportation Holdings Group Co., Ltd.* (山西交通控股集團有限公司) (“**Shanxi Transportation**”), through its wholly-owned subsidiary, namely Shanxi Province Expressway Group Limited Liability Company* (山西省高速公路集團有限責任公司), owns 46.38% interests in the registered capital of Sanjin Guotou and is therefore deemed to have an interest in the Shares in which Sanjin Guotou is interested. State-owned Capital Operation Co. owns 90% interests in the registered capital of Shanxi Construction and 90% interests in the registered capital of Shanxi Transportation respectively. State-owned Capital Operation Co. is therefore deemed to have an interest in the Shares in which Shenzhen Waranty is interested under the SFO. The entire registered capital of State-owned Capital Operation Co. is held by State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government (“**Shanxi Government Commission**”) and Shanxi Government Commission is therefore also deemed to have an interest in the Shares in which State-owned Capital Operation Co. is interested under the SFO, being 3,172,778,000 Shares, representing approximately 56.77% of the issued Shares.
- (2) THTF Energy-Saving Holdings Limited (“**THTF Energy-Saving**”) is the beneficial owner of 513,994,000 Shares, representing approximately 9.20% of the issued Shares. Tsinghua Tongfang, through its wholly-owned subsidiary, namely Resuccess Investments Limited, owns 100% interests in the issued share capital of THTF Energy-Saving and is therefore also deemed to have an interest in the Shares in which THTF Energy-Saving is interested under the SFO. Tsinghua Tongfang is therefore interested in 513,994,000 Shares representing approximately 9.20% of the issued Shares. If the Buy-Back Mandate is exercised in full, Tsinghua Tongfang and its associates will become Substantial Shareholders of the Company under the Listing Rules.

To the best of the knowledge and belief of the Directors and having made all reasonable enquiries, the Board is not aware of any consequences which would give rise to an obligation to make a mandatory general offer under Rules 26 and 32 of the Takeovers Code as a result of an exercise of the Buy-Back Mandate. The Directors also have no immediate intention to exercise the Buy-Back Mandate to an extent which will result in the amount of Shares held by the public being reduced to less than 25%.

PRICE OF THE SHARES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months (up to and including the Latest Practicable Date):

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2022		
April	0.075	0.044
May	0.055	0.040
June	0.054	0.044
July	0.050	0.039
August	0.047	0.036
September	0.049	0.030
October	0.040	0.026
November	0.042	0.028
December	0.046	0.033
2023		
January	0.052	0.038
February	0.060	0.039
March	0.061	0.038
April (<i>up to and including the Latest Practicable Date</i>)	0.060	0.043

BUY-BACK OF SHARES

No buy-back of Shares have been made by the Company on the Stock Exchange or otherwise during the six months immediately preceding the Latest Practicable Date.

GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their close associates have any present intention to sell any Shares to the Company or its subsidiaries.

No core connected persons of the Company have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to buy back the Shares.

The Directors have undertaken to the Stock Exchange that so far as the same may be applicable, they will exercise the Buy-Back Mandate to buy back any Shares in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

* *For identification purpose only*

The Proposed Amendment to the current Memorandum and Articles of Association is detailed as follows:

Existing Provision		Proposed Amendment	
Article No.:	Article	Article No.:	Article
177(b)	The Shareholders may, at any general meeting convened and held in accordance with these Articles, remove the Auditors by Special Resolution at any time before the expiration of the term of office and shall, by Ordinary Resolution, at that meeting appoint new auditors in its place for the remainder of the term.	177(b)	The Shareholders may, at any general meeting convened and held in accordance with these Articles, remove the Auditors by <u>Ordinary</u> Resolution at any time before the expiration of the term of office and shall, by Ordinary Resolution, at that meeting appoint new auditors in its place for the remainder of the term.



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Meeting**”) of Kontafarma China Holdings Limited (the “**Company**”) will be held at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 9 June 2023 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the audited financial statements of the Company and the reports of the directors of the Company (the “**Director(s)**”) and independent auditor of the Company for the year ended 31 December 2022.
2. To re-elect the following retiring Directors:
 - (A) To re-elect Mr. Bai Pingyan as an executive Director.
 - (B) To re-elect Mr. Chai Hongjie as an executive Director.
 - (C) To re-elect Mr. Zhang Junxi Jack as an independent non-executive Director.
3. To authorise the board of Directors (the “**Board**”) to fix the Directors’ fees for the year ending 31 December 2023.
4. To re-appoint BDO Limited as the independent auditor of the Company and to authorise the Board to fix its remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:
 - (A) “**THAT:**
 - (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of the Company (the “**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to

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make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval given in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the amended and restated articles of association of the Company (the “**Articles**”) from time to time,

shall not exceed 20% of the aggregate number of the issued Shares at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares, whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

(B) **“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Stock Exchange under the Code on Share Buy-backs administered by the SFC, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of the Shares which may be bought back by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate number of the issued Shares at the date of the passing of this Resolution, and the approval granted under paragraph (a) of this Resolution shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) **“THAT** conditional upon the passing of Resolution Nos. 5(A) and 5(B) as set out in the notice convening the Meeting (the **“Notice”**), the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution No. 5(A) as set out in the Notice be and is hereby extended by the addition thereto an amount representing the aggregate number of the Shares bought back by the Company under the authority granted pursuant to Resolution No. 5(B) as set out in the Notice, provided that such amount shall not exceed 10% of the aggregate number of the issued Shares at the date of the passing of this Resolution.”

SPECIAL RESOLUTION

- (6) To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution of the Company:

“THAT

- (a) the amendment to the memorandum and articles of association of the Company set out in Appendix III to the circular dated 27 April 2023 (the **“Proposed Amendment”**) be and is hereby approved and that the third amended and restated memorandum and articles of association (the **“New Memorandum and Articles of Association”**), a copy of which has been produced to the Meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification, incorporating and consolidating the Proposed Amendment, be and is hereby approved and adopted in substitution for and to the exclusion of the existing memorandum and articles of association with immediate effect; and

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- (b) any Director or company secretary of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the adoption of the New Memorandum and Articles of Association, including without limitation, attending to the necessary filings with the Registrar of Companies in Hong Kong and the Cayman Islands.”

By Order of the Board
Kontafarma China Holdings Limited
Si Tou Man Wai
Company Secretary

Hong Kong, 27 April 2023

Registered Office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business:

Room 12A09–12A20, 12A/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Notes:

1. All resolutions set out in this Notice will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the results of the poll will be published on the respective websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company (the “**Member**”) entitled to attend and vote at the Meeting will be entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote in his/her/its stead. A proxy need not be a Member, but must be present to represent the Member.
3. A form of proxy in respect of the Meeting is enclosed with the Company’s circular dated 27 April 2023. If you do not intend to attend the Meeting but wish to exercise your right as a shareholder, you are urged to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.

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4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
5. Where there are joint holders of any Shares, any one of such joint holders may vote at the Meeting either personally or by proxy in respect of such Shares as if he or she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such Shares.
6. For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 5 June 2023 to Friday, 9 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Member to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 June 2023.
7. In respect of Resolution No. 5(A) above, the Directors wish to state that they have no immediate plan to issue any new securities of the Company under this mandate. Approval is being sought from Members as a general mandate, in compliance with the Listing Rules, in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20% of the issued Shares at the date of the passing of the resolution.
8. The general purpose of the authority to be conferred on the Directors by Resolution No. 5(B) above is to increase flexibility and to provide discretion to the Directors in the event that it becomes desirable to buy back Shares representing up to a maximum of 10% of the issued Shares at the date of the passing of the resolution.
9. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted, or "extreme conditions" caused by super typhoons exist, or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the Meeting, the Meeting will be postponed and Members will be informed of the date, time and venue of the postponed Meeting by a supplemental notice posted on the respective websites of the Stock Exchange and the Company.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the Meeting and where conditions permit, the Meeting will be held as scheduled.

The Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force. After considering their own situations, Members should decide on their own whether or not they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.

10. References to time and dates in this notice are to Hong Kong time and dates.