
LETTER FROM THE BOARD



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. Wang Feifei (*Chairman and President*)
Ms. Qiao Linna
Ms. Guo Zixiu (*Financial Controller*)
Mr. Liu Jiankun

Non-Executive Director:

Mr. Huang Yu

Independent Non-Executive Directors:

Dr. Tang Lai Wah
Dr. Ho Ho Ming
Mr. Yao Xiaomin

Registered Office:

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Business:*

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Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

26 September 2025

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE CONSTRUCTION CONTRACT FOR
BEIJING R&D COMPLEX
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 18 August 2025 in relation to the Beijing Construction Contract and the transaction contemplated thereunder. The purposes of this circular are to provide you with, among other things, (i) a letter from the Board containing further information on the Beijing Construction Contract and the transaction contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) a notice of the EGM together with the form of proxy.

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THE BEIJING CONSTRUCTION CONTRACT

On 18 August 2025, Tongfang Pharmaceutical, a direct wholly-owned subsidiary of the Company, entered into the Beijing Construction Contract with Beijing Qingkong, pursuant to which Tongfang Pharmaceutical agreed to engage Beijing Qingkong as the general contractor to carry out the construction works for the Beijing R&D Complex Project at the estimated contract price of RMB33,672,360.58 (subject to adjustments).

The principal terms of Beijing Construction Contract are set out below:

Date:	18 August 2025 (after trading hours)
Parties:	(i) Tongfang Pharmaceutical, as the principal; and (ii) Beijing Qingkong, as the contractor
Project scope:	Pursuant to the Beijing Construction Contract, Beijing Qingkong, as a general contractor, is responsible for the construction of the Beijing R&D Complex Project, including but not limited to foundation and substructure, main structure, fitting out and decoration, roof, plumbing and heating, electrical works, ventilation and air conditioning, and elevators.
Contract period:	320 days
Construction contract price and payment term:	The total contract sum is estimated to be RMB33,672,360.58, which is subject to adjustments based on the actual construction period and construction works conducted and with reference to the latest published price of labour and materials in Beijing. The contract price was arrived at by a tender process conducted by the Group for the Beijing R&D Complex Project. For details of the tender process, please refer to the paragraph headed “Reasons for and benefits of the entering into of the Beijing Construction Contract” below. The total contract price shall be payable on a monthly basis based on construction progress.

The Board is of the view that the total contract price under the Beijing Construction Contract is fair and reasonable.

The total contract price for the Beijing R&D Complex Project will be funded by bank borrowings and internal resources of the Group.

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Condition precedent:	The Beijing Construction Contract shall be conditional upon the Independent Shareholders having approved the Beijing Construction Contract and the transaction contemplated thereunder.
Expected date of commencement and Completion:	Subject to fulfillment of the condition precedent, the construction works under the Beijing Construction Contract are tentatively expected to commence after the approval from the Independent Shareholders for the Beijing Construction Contract and the transaction contemplated thereunder having been duly obtained at the EGM and expected to complete on 18 July 2026.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE BEIJING CONSTRUCTION CONTRACT

The Beijing R&D Complex will be constructed on the site owned by Tongfang Pharmaceutical, enabling the Group to optimize the resource utilization while supporting business development and expansion. The Beijing R&D Complex is expected to be constructed into a five-floor building, with the main portion to be used for research and development purposes, one floor dedicated to a staff canteen, and certain areas reserved for office use. The establishment of the Beijing R&D Complex would (i) provide adequate space for the R&D team, improving the Group's research, development and innovation capacities for chemical generic drugs, (ii) offer employees modern office environments, improving their working efficiency and facilitating collaboration, and (iii) feature a new, safe canteen to enhance corporate image and boost employee satisfaction. Therefore, the Board believes that the construction of the Beijing R&D Complex aligns with the Group's overall strategy and would benefit its long-term business development in the pharmaceutical segment.

The contractor for the Beijing R&D Complex Project and the contract price were determined through a tendering process conducted by the Group. The tendering process was undertaken through a public and independent trading platform (the "Platform") established in December 2021 and managed by Beijing Municipal Commission of Development and Reform* (北京市發展和改革委員會) that provides comprehensive services related to public tender in open market. For the purpose of the Beijing R&D Complex Project, it organised and monitored the overall tendering process, assisted in preparing and publishing the bidding documents, selecting experts and administering the bidding process to ensure the bidding was conducted compliantly. On 16 April 2025, Tongfang Pharmaceutical, as the tenderer (the "Tenderer"), published the initial qualification review document (the "Qualification Review Document") on such Platform. Following such publication, construction companies which indicated their preliminary interests in the Beijing R&D Complex Project were initially reviewed based on the supporting documents elaborating their qualification submitted by them. The initial qualification review was assessed by the qualification committee (the "Qualification Committee") comprising seven members, five of which are independent construction and/or economic experts randomly selected from Beijing Bid Evaluation Expert Database* (北京市評標專家庫), which is established and maintained by the Beijing government, and the

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remaining two are representatives from Tongfang Pharmaceutical. There were a total of 36 applicants at the stage of the initial qualification review, out of which, except Beijing Qingkong and 2 other applicants being the subsidiaries of Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) (“Shanxi Construction”), the indirect holding company of the Company, other 33 applicants are Independent Third Parties. Such applicants were scored by each individual member of the Qualification Committee according to the scoring system set out in the Qualification Review Document with reference to their (i) financial condition; (ii) past track record of similar construction projects in the recent years; (iii) proposed resources to be allocated to the Beijing R&D Complex Project; and (iv) reputation, and ranked from the highest score to the lowest. It was further stipulated in the Qualification Review Document that, if there were more than seven applicants passing the initial qualification review, only the top seven ranked would be regarded as qualified applicants and therefore be invited to bid. The management of the Company confirmed that the initial qualification review was not a blind review process, because the applicants’ names have to be shown in the supporting documents submitted to the Qualification Committee to demonstrate their qualifications in relation to the criteria as elaborated above. Also, the names of the applicants were searched against the List of Dishonest Persons Subject to Enforcement* (失信被執行人名單) (the “Dishonest List”) to ensure they were qualified in terms of their financial condition and reputation. Those whose names were shown on the Dishonest List outright failed the initial qualification review. As the result report prepared by the Qualification Committee revealed, Beijing Qingkong was ranked the first out of 36 applicants.

Subsequently, the Tenderee sent the invitation to bid dated 19 June 2025 on such Platform to all seven qualified applicants as stated above, of which only four replied and submitted their official bidding documents for further evaluation. The other three were silent and did not reply. The four bidding documents were received from Beijing Qingkong and three other bidders, with one bidder being an Independent Third Party and the other two bidders being the subsidiaries of Shanxi Construction, an indirect holding company of the Company. The three bidders were regarded as being related/connected to the Company by virtue of their relationship with State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government* (山西省人民政府國有資產監督管理委員會) (“Shanxi Government Commission”) based in Shan Xi, which is the ultimate controlling shareholder of the Company. Being a sizeable conglomerate with diversified business segments, Shanxi Government Commission owns building and construction business as one of the principal businesses operated through Shanxi Construction. There is a number of reputable and sizeable construction companies within the group of Shanxi Construction that are active in bidding for and undertaking construction projects. It is believed that, since the Tenderee is also ultimately owned by Shanxi Government Commission, the construction companies which are within the conglomerate of Shanxi Government Commission would have stronger interest in submitting their tenders, particularly under the prevailing sluggish property development and construction market in the PRC. To fairly evaluate the bidding documents from the four bidders received through the Platform, an evaluation committee comprising seven members, five of which are independent construction and/or economic experts randomly selected from Beijing Bid Evaluation Expert Database* (北京市評標專家庫), and the remaining two are representatives from Tongfang Pharmaceutical, were obligated to rate the four bidders based on three aspects: (i)

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the bidding price; (ii) construction organisation and design; and (iii) corporate reputation of the bidders, which constituted 70%, 25% and 5% respectively of the total score as weighted by each individual member of the evaluation committee on each single bidder. The average of the scores given by all seven members in respect of each single bidder represents the final score of such bidder given by the evaluation committee. The estimated contract price of RMB33,672,360.58 offered by Beijing Qingkong is (a) in line with the bidding price offered by it in its tender documents which is the second lowest price; (b) approximately RMB16,520 (or approximately 0.05%) higher than the lowest bidding price of RMB33,655,840.02 which is considered to be insignificant; and (c) within the range of bidding price amongst the four tender documents received and therefore is not less favourable from the other three bidders. Thus, although the contract price offered by Beijing Qingkong is not the lowest amongst the four bidders, considering that, among other things, (i) the proposal submitted by Beijing Qingkong was comprehensive and practical and conformed to the requirements set out in the bidding documents; and (ii) Beijing Qingkong has a proven track record in engineering, procurement and construction and design projects for pharmaceutical industry, Beijing Qingkong was rated first among the bidders under the tendering process. Accordingly, the Beijing Construction Contract was awarded to Beijing Qingkong.

In light of the above, the Board (including the Independent Board Committee) considered the whole tendering process independent and fair which revealed the results evaluated by the evaluation committee based on the scoring mechanism applicable to all the bidding documents from the qualified bidders received through an independent open platform as elaborated above. Also, the Board (including the Independent Board Committee) considered the advice from the Independent Financial Advisor that the terms and contract sum offered by Beijing Qingkong are on normal commercial term and fair and reasonable and the entering into of the Beijing Construction Contract is in the interests of the Company and Shareholders as a whole and would benefit the Group's long-term business development in pharmaceutical segment.

None of the Directors had a material interest in the Beijing Construction Contract and the transaction contemplated thereunder, therefore no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company and the Group is currently principally engaged in (i) manufacturing and sales of drugs in the PRC, including chemical drugs, active pharmaceutical ingredients ("API") and API intermediate; and (ii) operating of fitness centres and provision of consultation services for fitness and health activities, and operating of franchise business for royalty fee income.

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Tongfang Pharmaceutical

Tongfang Pharmaceutical is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Company. Tongfang Pharmaceutical is principally engaged in the production and sales of chemical generic drugs.

Beijing Qingkong

Beijing Qingkong is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of Shenzhen Waranty, which is in turn ultimately controlled by Shanxi Government Commission. Beijing Qingkong is principally engaged in the provision of design, installation, construction and related engineering services in the PRC.

LISTING RULES IMPLICATIONS OF THE TRANSACTION

As the highest applicable percentage ratio in respect of the transaction contemplated under the Beijing Construction Contract is more than 5% but less than 25%, the transaction contemplated under the Beijing Construction Contract constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Beijing Qingkong is an indirect non-wholly owned subsidiary of Shenzhen Waranty, which is the controlling shareholder of the Company, holding approximately 56.77% of the entire issued share capital of the Company through China Health. Accordingly, Beijing Qingkong is an associate of Shenzhen Waranty and a connected person of the Company, and the transaction contemplated under the Beijing Construction Contract constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened and held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong on Monday, 20 October 2025 at 10 : 00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Beijing Construction Contract and the transaction contemplated thereunder. A notice convening the EGM is set out on pages 30 to 32 of this circular.

China Health (directly holding an aggregate of 3,172,778,000 Shares, representing approximately 56.77% of the issued share capital of the Company as at the date of this circular) shall abstain from voting on the resolutions approving the Beijing Construction Contract and the transaction contemplated thereunder at the EGM. Save as aforementioned, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, no other Shareholder has any material interest in the transaction contemplated under the Beijing Construction Contract and would be required to abstain from voting at the EGM.

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A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

RECOMMENDATIONS

The Directors, including the independent non-executive Directors whose views are set out in the “Letter from the Independent Board Committee” in this circular after considering the advice from the Independent Financial Adviser, are of the view that although the Beijing Construction Contract is not entered into in the ordinary and usual course of business of the Company, the terms thereof and the transaction contemplated thereunder have been entered into on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and conducted to facilitate the research and development of pharmaceutical products in the Group’s ordinary and usual course of business.

Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Beijing Construction Contract and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” set out on pages 11 to 12 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the “Letter from the Independent Financial Adviser” set out on pages 13 to 22 of this circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Kontafarma China Holdings Limited
Wang Feifei
Chairman 