

26 September 2025

*To: the Independent Board Committee and the Independent Shareholders of
Kontafarma China Holdings Limited*

Dear Sirs/Madams,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Beijing Construction Contract and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 26 September 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 18 August 2025 (the “**Announcement**”) in respect of, among other things, the Beijing Construction Contract and the transaction contemplated thereunder.

On 18 August 2025 (after trading hours), 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).

LISTING RULES IMPLICATIONS

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 the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee comprising all three independent non-executive Directors to consider the terms of the Beijing Construction Contract and the transaction contemplated thereunder, and to advise the Independent Shareholders as to the terms of the Beijing Construction Contract and the transaction contemplated thereunder. We, Aurelius Corporate Finance Limited, have been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Beijing Construction Contract and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the Beijing Construction Contract.

OUR INDEPENDENCE

Save for this appointment as the Independent Financial Adviser in respect of the terms of the Beijing Construction Contract and the transaction contemplated thereunder, there was no other engagement between the Company and us in the past two years.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Aurelius Corporate Finance Limited and the Company, its subsidiaries and any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Beijing Construction Contract and the transactions contemplated thereunder. We are not associated or connected with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or

associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Aurelius Corporate Finance Limited has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Beijing Construction Contract and the transaction contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Announcement, Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for the provision of the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Beijing Construction Contract and the transaction contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Information of the Group

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability. 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.

Set out below a summary of the audited financial results of the Group for the year ended 31 December 2023 (“FY2023”) and 31 December 2024 (“FY2024”) as extracted from the annual report of the Company for the year ended 31 December 2024 (the “2024 Annual Report”).

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Revenue	897,521	809,107
Gross profit	516,157	471,292
(Loss) before taxation	(97,979)	(43,919)
(Loss) for the year	(99,021)	(61,115)

According to 2024 Annual Report, the revenue and gross profit of the Group increased by approximately 10.9% and 9.5%, respectively, from FY2023 to FY2024. The increase in revenue and gross profit was mainly attributable to the following reasons:

- For the pharmaceutical business segment, the introduction of effective and diverse marketing strategies by Tongfang Pharmaceutical and the increase in market demand for its core products promoted the growth of both revenue and gross profit of this business segment; and
- In respect of the fitness business segment, the Group’s fitness business in Singapore has recovered from the impact of the COVID-19 pandemic and has significantly improved, which has offset the adverse impact of the decrease in royalty fee income.

Despite an increase in both revenue and gross profit and the adoption of effective cost control measures, the Group recorded an increase in net loss, which was mainly due to the facts that: (i) the Group recorded a one-off gain of approximately HK\$110.5

million from the disposal of subsidiaries for FY2023, while no such gain was recorded for FY2024; and (ii) the Group recognised an impairment of intangible assets in relation to the franchise agreement for fitness business of approximately HK\$18.8 million.

2. Information of 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.

3. Information of 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 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). Beijing Qingkong is principally engaged in the provision of design, installation, construction and related engineering services in the PRC.

4. 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 the Group's 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.

According to 2024 Annual Report, we note that pharmaceutical business segment accounted for approximately 76.0% of the revenue for FY2024, while Tongfang Pharmaceutical accounted for approximately 86.5% of the revenue in the pharmaceutical business segment for FY2024. As stated in the 2024 Annual Report, Tongfang Pharmaceutical targets to intensify its efforts in product research and development in the future, with a view to maintaining the favourable momentum of performance growth. Building a complex for research and development purpose is in line with the Group's strategy of devoting more efforts to its research and development. Hence, we are of the view that although the Beijing Construction

Contract and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Independent Shareholders as a whole.

5. Principal terms of the Beijing Construction Contract

On 18 August 2025, Tongfang Pharmaceutical 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:	<p>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. The total contract price shall be payable on a monthly basis based on construction progress.</p> <p>The total contract price for the Beijing R&D Complex Project will be funded by bank borrowings and internal resources of the Group.</p>

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.

According to the Letter from the Board, 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). Tongfang Pharmaceutical, as the tenderer (the “**Tenderer**”), published the initial qualification review document (the “**Qualification Review Documents**”) 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. We understand from the management of the Company that the initial qualification review were assessed by 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 remaining two are representatives from Tongfang Pharmaceutical. There were a total of 36 applicants at the stage of initial qualification review. As advised by the management of the Company, out of 36 applicants, 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), the indirect holding company of the Company, other 33 applicants are Independent Third Parties. We have reviewed the result report prepared by the Qualification Committee and the detailed review summary table scored by each individual members of the Qualification Committee, and noted that the Qualification Committee ranked Beijing Qingkong first out of 36 applicants, based on 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. We further note from 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. We understand from the management of the Company 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.

Subsequently, the Tenderer 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 Investment Group Co., Ltd.*, the indirect holding company of the Company. We have reviewed and noted from the bidding documents that the tendering process was a scoring system based on criteria set out in the bidding documents, including (i) 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. The bids were assessed by an evaluation committee (the “**Evaluation Committee**”) comprising seven members, five of which are independent construction and/or economic experts randomly selected from Beijing Bid Evaluation Expert Database* (the five independent construction and/or economic experts in the Evaluation Committee are re-selected randomly from the Beijing Bid Evaluation Expert Database* and are different from the independent construction and/or economic experts who served in the Qualification Committee) and the remaining two are representatives from Tongfang Pharmaceutical.

The contract period offered by Beijing Qingkong in respect of the Beijing Construction Contract is 320 days. We have reviewed the tender documents of the other bidders and their contract periods are also 320 days.

The total contract price shall be payable on a monthly basis based on construction progress. We have reviewed the tender documents issued by Tongfang Pharmaceutical to the bidders and noted that such payment terms were requested by Tongfang Pharmaceutical to all bidders and all bidders were under the same payment terms. As none of the bidders indicated different opinion or raised any objection to the payment terms, we are of the view that such payment terms are on normal commercial terms and fair and reasonable.

We have reviewed the bidding documents prepared by all the bidders and 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 and we note that the estimated contract price of RMB33,672,360.58 is the second lowest bidding price; and (b) RMB16,520 (or approximately 0.05%) higher than the lowest bidding price of RMB33,655,840.02 which is considered to be insignificant. In addition, we have obtained and reviewed the result report prepared by the Evaluation Committee and the detailed review summary table scored by each individual members of the Evaluation Committee, and noted that each of the members of the Evaluation Committee rated Beijing Qingkong the first among all bidders after taking into consideration (i) the bidding price; (ii) construction organisation and design (including but not limited to

safety, overall configuration of the construction, detailed designs and workplans of the construction and quality assurance); and (iii) corporate reputation of the bidders. We understand from the management of the Company that the scoring process is a blind scoring process, where the three scoring criteria above are sub-divided into 23 distinct modules. Each module of each bidder was assigned with a unique, randomized code, ensuring complete anonymity and ensuring the members of the Evaluation Committee scored solely based on the content and the terms of the tender, and we have obtained and reviewed the code of each module of each bidder and the Evaluation Committee would not be able to identify the bidder during the blind scoring process. We have also reviewed the attendance sheet of the Evaluation Committee, and all members of the Evaluation Committee attended the bid evaluation process at the same time on the same day, and we have also reviewed the declaration made by each member of the Evaluation Committee of not leaving the independent bidding evaluation area without permission and before the end of the bid evaluation process. Hence, the members of the Evaluation Committee would not be able to communicate with other people or any bidder before the end of the blind scoring process, and due to the nature of the blind scoring process, they could only assess and score the content of the tender document without knowing the identity of the bidder. We have also reviewed the declaration made by each of the members of the Evaluation Committee, and noted in their declaration that (i) they were independent to the bidders; (ii) they were familiar with laws and regulation relating to the tendering process and possessed necessary knowledge and had past experience to participate in this kind of bid evaluation; and (iii) they did not receive any benefits (other than fees properly earned from being a member of the Evaluation Committee) from any bidder during the tender and bidding process.

Having considered that the winning bidder is individually assessed by each of the members of the Evaluation Committee, which (i) five out of seven members were randomly selected from Beijing Bid Evaluation Expert Database*; (ii) Beijing Qingkong was rated the first by each of the members of the Evaluation Committee and such scoring process is a blind scoring process where the Evaluation Committee had no information about which bidders they were evaluating and in an independent bidding evaluation area where they could not communicate with other people before the end of the blind scoring process; (iii) members of Evaluation Committee declared their independence and their knowledge and experience on bid evaluation, we consider that the tender process is fair and reasonable.

In view that (i) Beijing Qingkong scored the highest marks under the assessment of the Qualification Committee and the Evaluation Committee; (ii) the contract price offered by Beijing Qingkong is the second lowest bidding price and is RMB16,250 (or approximately 0.05%) higher than the lowest bidding price which is considered to be insignificant, we concur with the management of the Company that having considered the above, the terms and contract sum of RMB33.7 million offered by Beijing Qingkong are fair and reasonable and on normal commercial terms and the entering into of the Beijing Construction Contract is in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we are of the view that (i) the terms of the Beijing Construction Contract are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Beijing Construction Contract is not in the ordinary course of business of the Group, the terms thereof and the transaction contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Beijing Construction Contract.

Yours faithfully,
For and on behalf of
Aurelius Corporate Finance Limited



Matthew Leung
Managing Director

Mr. Matthew Leung is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer of Aurelius Corporate Finance Limited. Mr. Leung has over 15 years of experience in the corporate finance industry.