



Valplus Consulting Limited

Rm 907, 9/F, Houston Centre,  
63 Mody Road, East Tsim Sha Tsui,  
Kowloon, Hong Kong  
Web: <http://valplus.com.hk>  
Email: [info@valplus.com.hk](mailto:info@valplus.com.hk)  
Tel: +852 2553 9906

23 June 2023

The Board of Directors  
Kontafarma China Holdings Limited,  
Room 12A09-12A20, 12A/F,  
Sun Hung Kai Centre,  
30 Harbour Road,  
Wanchai, Hong Kong

Our Ref: B2023-070

Dear Sirs/Madams,

Re : Valuation of a construction in progress located at No. 506, Gaoxin Avenue,  
Chencang District, Baoji City, Shaanxi Province, the People's Republic of China

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In accordance with the instructions from Kontafarma China Holdings Limited ("**Company**") and together with its subsidiaries, ("**Group**") for us to value the captioned property interests ("**Property**") held by the Group located in the People's Republic of China ("**China**" or "**PRC**"), we confirm that we have made relevant enquires and obtained such further information as we consider necessary for providing you with our opinion on market value of such property interests in existing state as at 31 March 2023 ("**Valuation Date**").

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

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## **1. PURPOSE OF VALUATION**

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with a proposed disposal ("**Proposed Disposal**") by the Group under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**").

The Proposed Disposal, if materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Disposal, in which Valplus Consulting Limited ("**Valplus**") is not involved in the negotiation and has no comment on the final agreed consideration. Furthermore, Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

## **2. BASIS AND PREMISE OF VALUE**

Our valuation represents our opinion on the market value which we would define to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, if applicable and practicable, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the SEHK, the International Valuation Standards published by the International Valuation Standards Council and the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors.

### **3. SOURCE OF INFORMATION**

In undertaking our valuation of the Property, we have relied on advice, documents, information and materials provided by the management of the Group and its representatives (together, “**Management**”) or public source of relevant government authorities. The major documents and information include but not limited to (i) transfer contract, (ii) title certificate, (iii) construction permit and (iv) legal opinions dated 7 April 2023 (“**Legal Opinions**”) provided by the Group’s PRC legal adviser, namely 北京市兩高律師事務所 (unofficially translated as “Beijing Lianggao Law Firm”), all of which are set out in the notes of this valuation report.

We would point out that the copies of the aforesaid documents and information of the Property provided to us are mainly compiled in Chinese and thus the translation into English only represents our understanding of the contents of these documents and information.

### **4. VALUATION METHODOLOGIES**

In valuing the Property, we have adopted a direct comparison method by making reference to comparable sales evidence as available in the relevant market. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

### **5. TITLE INVESTIGATION**

We have not caused land searches regarding the title of the Property but have been provided by the Group with copies of certain extracts on title documents and other documents in relation to the subject property interests. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied on the Legal Opinions regarding the title to and the interests in the Property. It is therefore presumed that the property rights are good and marketable, and there are no encumbrances on the property interests which cannot be cleared through normal processes. No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the property valued.

## **6. SITE INSPECTION**

The site inspection of the Property was conducted in April 2023 by our Mr. Xiao Changsai, a degree holder with over 10 years of relevant experience in valuation of properties. No structural survey has been made and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to report whether the property interests are free from rot, infestation or any other defects. No test was carried out on any of the services.

## **7. VALUATION ASSUMPTIONS**

- In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term as granted and is entitled to transfer the property interests with the residual term without payment of any further premium to the government authorities or any third parties;
- Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in our valuation;
- No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values;
- All consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers; and
- All applicable zoning and use regulations and restrictions have been complied with

unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interests and improvements are within the boundaries of the property interests described and that no encroachment or trespass exists, unless noted in the valuation report.

## **8. LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by and have accepted advice from the Company on such matters as planning approvals, statutory notices, easements, tenures, occupancy, lettings, site, floor areas, rooms, facilities, identifications and all other relevant materials regarding the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. All documents have been used as reference only. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas of the property interests but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation report are based on information contained in the documents provided to us for reference only and, therefore are only approximations. If such information provided by the Company is different from the reality, we reserve our rights to amend our opinions.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed

unless otherwise stated, defined and considered in the valuation report.

## **9. REMARKS**

The Company has reviewed and agreed on the report and confirmed the factual content of the report.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (“RMB”).

We hereby confirm that we have neither present nor prospective interests in the Property, the Group or the value reported herein.

We confirm that we are an independent qualified valuer as referred to the Rule 5.08 of the Listing Rules Governing the Listing of Securities on the SEHK.

Our Valuation Report is enclosed herewith.

Respectfully submitted,  
For and on behalf of  
**VALPLUS CONSULTING LIMITED**



**Damon S.T. Wan**, *CFA, FRM, MRICS*  
Director

*Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. He has over 6 years of experience in the valuation of properties in Hong Kong, Macau, China and the overseas.*

## VALUATION REPORT

| Property  | Description and tenure  | Particulars of occupancy                                     | Market value in existing state as at 31 March 2023 |
|---|---|--|--|
| A construction in progress located at No. 506 Gaoxin Avenue, Chencang District, Baoji City, Shaanxi Province, the PRC (officially translated as 中華人民共和國陝西省寶雞市陳倉區高新大道506號) | The property comprises a parcel of land, having a registered site area of approximately 69,674.67 sq.m., is planned to be developed into an industrial complex comprising six blocks of 1 to 5-storey industrial and ancillary buildings erected thereon with a total gross floor area of approximately 42,724.31 sq.m.<br><br>The land use rights of the property was granted for a term expiring on 19 January 2071 for industrial use. | The property was under construction as at the Valuation Date | RMB155,791,000                                     |

## Notes:

- 1) Pursuant to State-owned Construction Land Use Rights Transfer Contract <<國有建設用地使用權出讓合同>> entered into among 寶雞高新技術產業開發區自然資源和規劃局 (unofficially translated as “Baoji Hi-tech Industry Development Zone Natural Resources and Planning Bureau” and hereinafter, “Grantor”) and 陝西紫光高新藥業有限公司 (unofficially translated as “Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.”, an indirect non-wholly owned subsidiary of the Company as at the Valuation Date and hereinafter, “Business Enterprise”), the land use right of the property with a total site area of approximately 69,674.67 sq.m. was granted by the Grantor to the Business Enterprise for a term of 50 years for industrial use at a total consideration of RMB25,700,000. Other salient terms and conditions stipulated in the said contract are summarized as follows:

|                        |                              |
|------------------------|------------------------------|
| Total gross floor area | not more than 64,808.1 sq.m. |
| Plot ratio             | not less than 0.8            |
| Site coverage          | not less than 30%            |
| Greenary ratio         | not less than 20%            |



- 2) Pursuant to Real Estate Title Certificate <<陝(2021) 寶雞市不動產權第 0215183 號>> (Document No.: Shaan (2021) Bao Ji City Bu Dong Chan Quan No. 0215183), the land use right of the property with a total site area of approximately 69,674.67 sq.m. was granted to the Business Enterprise for a term expiring on 19 January 2071 for industrial use.
- 3) Pursuant to Construction Works Planning Permit (建設工程規劃許可證) (Document No. Bao Gao Xin Jian Zi (2021) No. 30), the Business Enterprise was permitted to build an industrial complex comprising six blocks of 1 to 5-storey industrial and ancillary buildings with a total planned gross floor area of approximately 42,724.31 sq.m.. Details of the proposed development are set forth as below:

| Proposed use        | No. of storey | Estimated gross floor area<br>(sq.m.) |
|---------------------|---------------|---------------------------------------|
| Composite building  | 5             | 5,894.34                              |
| Living building     | 5             | 5,261.9                               |
| Workshop No. 1      | 1             | 15,130.16                             |
| Workshop No. 2      | 1             | 8,031.7                               |
| Podium warehouse    | 1             | 4,319.46                              |
| Extraction workshop | 3             | 4,086.75                              |

*\* Figures above are subject to rounding*

- 4) Pursuant to Construction Works Commencement Permit (建築工程施工許可證) (Document No. Bao Gao Xin Jian Shi (2021) No. 28), the Business Enterprise was permitted to commence the construction of an industrial complex with a total planned gross floor area of approximately 42,724.31 sq.m.
- 5) Pursuant to the Management, the property was held by the Group for owner occupation in the PRC.
- 6) Pursuant to the Management, the total construction cost (excluding any land and financing cost) incurred and outstanding for completion of the property as at the Valuation Date was approximately RMB124,471,000 and RMB56,929,000 respectively. The proposed development of the property is scheduled to be completed around December 2023.
- 7) For indicative purpose, the estimated gross development value of the property as if completed as at the Valuation Date in accordance with the development proposal as described above would be approximately RMB215,566,000.
- 8) The accommodation value of land parcel of similar industrial premises in the locality as at the Valuation Date is in the range of around RMB337 per sq.m. to RMB450 per sq.m. Appropriate

adjustments to the unit rate have been considered to reflect factors including but not limited to time and quantum in arriving at our opinion on the value. In our valuation, we have adopted an average unit rate of approximately RMB390 sq.m., which is consistent with the range of comparable transactions and is thus considered to be fair and reasonable.

- 9) The property is situated at Baoji Hi-tech Industry Development Zone of Baoji City. The subject area is mainly an industrial area surrounded by low to medium-rise buildings. A railway station is about 30-minute driving distance away from the property. Taxis and buses are also accessible to the property.
- 10) We have been provided with the Legal Opinions, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
  - (a) The Business Enterprise is the holder of the land use right of the property;
  - (b) Pursuant to the fixed assets borrowing agreement dated 27 July 2022, the property has been pledged as a security for borrowing in a maximum guarantee amount of RMB100,000,000 in favor of 交通銀行股份有限公司寶雞分行 (unofficially translated as “Bank of Communications Co., Ltd. Baoji Branch” and hereinafter, “**Lender**”) for a term commencing from 19 July 2022 to 31 December 2029.
  - (c) The Business Enterprise is entitled to occupy and use but transfer, lease or mortgage of the property is subject to the approval of the Lender; and
  - (d) the following legal documents have been obtained by the Business Enterprise:

Real Estate Title Certificate (不動產權證)

Construction Land Planning Permit (建設用地規劃許可證)

Construction Work Planning Permit (建設工程規劃許可證)

Construction Work Commencement Permit (建設工程施工許可證)

**- END OF REPORT -**