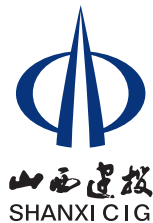

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other licensed securities 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 to the purchaser or transferee or to the bank, stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF
AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

Capitalised terms used in this cover shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 17 of this circular.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	18
APPENDIX II — PROPERTY VALUATION REPORT	23
APPENDIX III— ASSET VALUATION REPORT OF THE TARGET COMPANY	31
APPENDIX IV— LETTER FROM BDO LIMITED	109
APPENDIX V — LETTER FROM THE BOARD ON PROFIT FORECAST	111
APPENDIX VI— GENERAL INFORMATION	112

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Announcement”	the announcement of the Company dated 13 April 2023 in relation to, among other things, the Equity Transfer Agreement and the transaction contemplated thereunder
“Asset Valuation Report”	the asset valuation report dated 6 January 2023 prepared by Beijing Zhongtianhua Asset Appraisal Co., Ltd.* (北京中天華資產評估有限責任公司), an independent valuer, in respect of the entire equity interest of the Target Company
“Board”	the board of the Directors
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are generally open for business in the PRC and Hong Kong
“Buyer”	Ping An Tsumura Inc.* (平安津村有限公司), a company established in the PRC and an Independent Third Party
“China Health”	China Health Management Investment Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which directly holds approximately 56.77% shareholding in the Company as at the Latest Practical Date
“Company”	Kontafarma China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1312)
“Completion”	the completion of the Transaction in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the tenth (10) Business Day after the date on which all of the conditions precedent set out in the Equity Transfer Agreement have been satisfied or waived by the Buyer (or such other date as the parties thereto may agree in writing) and when Completion takes place
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the total consideration in the amount of RMB168,160,080 payable by the Buyer to the Group for the transfer of the Equity Interest
“controlling shareholder”	has the meaning ascribed thereto under Rule 1.01 of the Listing Rules

DEFINITIONS

“Daxingtang”	Shaanxi Daxingtang Pharmaceutical Logistics Co., Ltd.* (陝西達興堂醫藥物流有限公司), a limited company established in the PRC, and a direct wholly-owned subsidiary of Shaanxi Hi-tech
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Equity Transfer Agreement is entered into and has become effective
“Equity Interest”	66% of the equity interest in the Target Company
“Equity Transfer Agreement”	the equity transfer agreement (產權交易合同) dated 13 April 2023 entered into between the Seller and the Buyer in relation to the Transaction (as amended and supplemented by the supplemental agreement (產權交易合同之補充協議) entered into between the same parties on the same day)
“Group”	the Company and its subsidiaries, and where the context requires, excluding the Target Group after Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and its(their) respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is(are) third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	19 June 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, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	30 days from the Effective Date or such other date as may be agreed by the Seller and Buyer
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong and Macau Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Property Valuation Report”	the property valuation report dated 23 June 2023 prepared by Valplus Consulting Limited, an independent valuer, in respect of the property interests held by Shaanxi Hi-tech
“RMB”	Renminbi, the lawful currency of the PRC
“Seller” or “Tongfang Pharmaceutical”	Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司), a limited company established in the PRC and an indirect wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shaanxi Hi-tech”	Shaanxi Unisplendour Hi-tech Pharmaceutical Co., Ltd.* (陝西紫光高新藥業有限公司), a limited company established in the PRC, and a direct wholly-owned subsidiary of the Target Company
“Share(s)”	the ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Waranty”	Shenzhen Waranty Asset Management Co., Ltd.* (深圳市華融泰資產管理有限公司), a limited company established in the PRC and the indirect holding company of China Health
“SPTM”	Shanxi Property Trading Market* (山西省產權交易市場), through which the public bidding in relation to the transfer of the Equity Interest was held
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司), a limited company established in the PRC, and a direct non-wholly owned subsidiary of the Seller prior to Completion
“Target Group”	collectively the Target Company, Shaanxi Hi-tech and Daxingtang
“Transaction”	the transfer of the Equity Interest pursuant to the terms of the Equity Transfer Agreement
“Transaction Documents”	the Equity Transfer Agreement, the amended and restated articles of the Target Company, the written Shareholders’ approval, and relevant agreements or documents in relation to the Transaction under the Equity Transfer Agreement

DEFINITIONS

“Waranty Hong Kong” Waranty Assets Management (HK) Limited (華融泰資產管理(香港)有限公司), a limited company incorporated in Hong Kong and the direct holding company of China Health

“%” per cent

* *For identification purpose only.*



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

23 June 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF
AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

INTRODUCTION

Reference is made to the Announcement in relation to the Equity Transfer Agreement and the transaction contemplated thereunder. Pursuant to the Equity Transfer Agreement, the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase the Equity Interest, representing 66% of the equity interest in the Target Company, at the consideration of RMB168,160,080.

The purpose of this circular is to provide you with, among other things, (i) further details of the Equity Transfer Agreement and the Transaction; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date: 13 April 2023 (after trading hours)

Parties: (i) Tongfang Pharmaceutical (as seller); and
(ii) Ping An Tsumura Inc.* (平安津村有限公司) (as buyer, which is the successful bidder of the Equity Interest through the public bidding held by SPTM).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Buyer is a company established in the PRC with limited liability jointly set up by Ping An Life Insurance Company of China, Ltd.* (中國平安人壽保險股份有限公司) (“**Ping An Life**”) and Tsumura China Inc.* (津村(中國)有限公司) for investment purpose; (ii) Ping An Life is a subsidiary of Ping An Insurance (Group) Company of China, Ltd.* (中國平安保險(集團)股份有限公司), being a joint stock company duly incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601318) and the H shares of which are listed on the Stock Exchange (stock code: 2318); (iii) Tsumura China Inc.* (津村(中國)有限公司) is a wholly-owned subsidiary of Tsumura & Co.* (日本國株式會社津村), a company incorporated in Japan and listed on the Tokyo Stock Exchange (stock code: 4540); and (iv) the Buyer and its ultimate beneficial owners are Independent Third Parties.

Subject Matter

Under the Equity Transfer Agreement, the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase the Equity Interest, representing 66% of the equity interest in the Target Company, at the consideration of RMB168,160,080. As at the Latest Practicable Date, Daxingtang is a direct wholly-owned subsidiary of Shaanxi Hi-tech, which is in turn a direct wholly-owned subsidiary of the Target Company. For more information on the Target Group, please refer to the section headed “Information of the Target Group”.

Consideration

The Consideration payable by the Buyer for the acquisition of the Equity Interest in the Target Company in the amount of RMB168,160,080 was the final bidding price offered by the Buyer through a public bidding held by SPTM in which the Equity Interest was offered for sale by way of tender. The minimum base price for the Equity Interest, which constitutes a State-owned asset, is RMB87,830,800. The said minimum base price is based on the appraised value of the Equity Interest, which is RMB87,830,800 (without taking into

LETTER FROM THE BOARD

account the possible discount or premium of the Equity Interest and the impact of equity liquidity on its appraised value) as per the Asset Valuation Report prepared by Beijing Zhongtianhua Asset Appraisal Co., Ltd.* (北京中天華資產評估有限責任公司), an independent PRC valuer engaged by the Company in accordance with the PRC laws in relation to transfer of State-owned assets. To the best of the Directors' knowledge, information and belief, in offering the final bidding price of RMB168,160,080 by the Buyer, representing a premium of approximately 191.5% over the appraised value attributable to the Equity Interest, references were mainly made to (i) know-how, intellectual properties and licenses possessed by the Target Group, which mainly consist of one copyright, three patents, over 70 trademarks, and more than 100 approved drugs in the PRC; and (ii) business prospects of the Target Group, and synergy between the Target Group and the Buyer's group.

The Consideration shall be settled in the following manner:

- (i) on or before the Effective Date, the Buyer has deposited an amount of RMB50,000,000 as security deposit (the "**Security Deposit**") to the designated account of SPTM. Within 10 Business Days of the Effective Date, the Buyer shall further deposit to the designated settlement account of SPTM an amount of RMB109,752,076 (together with the Security Deposit, being RMB159,752,076 and representing 95% of the Consideration, the "**First Instalment**"). On the date falling 10 Business Days after completion of procedures for transfer of the Equity Interest and fulfilment or waiver of the conditions precedent set out in the Equity Transfer Agreement (i.e. the Completion Date), the Buyer shall apply to SPTM to release the First Instalment to the Seller; and
- (ii) on the date falling one year after the Completion Date, 5% of the Consideration (i.e. RMB8,408,004) (the "**Final Payment**") shall be paid to the bank account designated by the Seller, provided that all of the following conditions have been fulfilled or waived by the Buyer in writing:
 - (A) no event has occurred or, based on reasonable judgment, is likely to occur that would individually or collectively have a material adverse effect on the Target Group or the Buyer's holdings of the Equity Interest; and
 - (B) the Seller shall have duly performed all of the obligations required to be performed by the Seller under the Equity Transfer Agreement and any other agreement(s) in relation to the Transaction (if any).

Conditions Precedent

Completion is conditional upon and subject to the following conditions (the "**Conditions Precedent**"):

- (i) the representations and warranties made by the Seller under all applicable Transaction Documents are true, accurate, and complete and not misleading in all aspects on the day of execution of the Transaction Documents and Completion Date (save as the representations and warranties expressly stated to be made on a

LETTER FROM THE BOARD

specified date are true, accurate, and complete and not misleading in all aspects as of such specified date); and all undertakings and covenants under all applicable Transaction Documents have been performed by the Seller on or before the Completion Date;

- (ii) all the parties to the Transaction Documents other than the Buyer have executed and delivered to the Buyer each of the Transaction Documents to which it is a party;
- (iii) no governmental department shall have enacted, issued, promulgated, implemented, or passed any law or governmental order which would render the Transaction contemplated under the Transaction Documents illegal, or be restricted or prohibited;
- (iv) no claims have arisen or may arise that is intended to restrict the Transaction contemplated under the Transaction Documents or cause material change to the terms of the Transaction, or in the Buyer's reasonable judgement made under good faith that the Transaction is unachievable or illegal or it is not suitable to proceed with the Transaction, or may cause material adverse effect to the Seller, the Target Group, or the business of the Target Group;
- (v) the Buyer, the Seller and the Target Group have obtained all necessary approvals, permits and filings from the governmental authorities, and consents from all relevant third parties (including but not limited to the waiver of the right of first refusal from another shareholder of the Target Company in respect of the Equity Interest and the written consent from bank in respect of the Transaction) required for the Transaction contemplated under the Transaction Documents, and such consents and approvals would not alter the commercial terms under the Transaction Documents and shall remain in full force at Completion;
- (vi) the Seller has obtained approval from the State-owned Assets Supervision and Administration Commission of the State Council (or its authorized department) for the Transaction;
- (vii) no event has occurred which individually or collectively would cause a material adverse effect on the Transaction under the Equity Transfer Agreement, and it is reasonably anticipated that such events which individually or collectively would cause a material adverse effect will not occur;
- (viii) the shareholders of the Seller have passed resolutions to approve (i) the Equity Transfer Agreement and the Transaction; and (ii) the execution and performance of the Transaction Documents by the Seller; and the Company shall have obtained a written Shareholder's approval from its controlling Shareholder approving the Equity Transfer Agreement and the Transaction;
- (ix) the new factory under construction has been accepted by the Buyer in accordance with the general construction contract and the national law, regulations, and standards in relation to construction works;

LETTER FROM THE BOARD

- (x) the banks with which the Target Group have a loan relationship (and such loan(s) has not been fully repaid) have issued written letters consenting to or confirming no objection to the Transaction;
- (xi) the transaction documents in relation to the transfer of 34% equity interest in the Target Company held by Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.* (陝西鑫匯源醫藥科技有限公司) to the Buyer have been duly executed and all the conditions precedent contained therein have been satisfied or waived in writing by the Buyer;
- (xii) the persons nominated by the Buyer have been duly appointed as the legal representative, director, supervisor, general manager and chief financial officer of the Target Company;
- (xiii) the Buyer has been registered by the Administration for Market Regulation (the “AMR”) as the sole shareholder of entire equity interest in the Target Company, the filing procedures for the change of the articles of association, list of directors, legal representative, general manager, chief financial officer and supervisor designated by the Buyer have been completed at the AMR, the new business license and filing documents for the change of registration have been issued by the AMR to the Target Company, and such business license, change of registration documents for the Transaction, filing documents for the change of registration in respect of the change of articles of association, list of directors, legal representative, general manager, chief financial officer and supervisor have been delivered to the Buyer;
- (xiv) the Target Group has provided the Buyer with the financial statements of the Target Group, including the monthly financial statements for the period of 31 October 2022 up to the Completion Date, financial statements, relevant information and historical data in the financial system as of the Completion Date; and the Target Group shall ensure such statements, information and data are correct, complete and accurate;
- (xv) the Target Company has completed application or filing procedures (if necessary) for tax incentives for enterprises in the category of encouraged industries located in the Western China to be taxed at a reduced rate of 15% in accordance with the provisions of *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China* (No. 23 of 2020);
- (xvi) the Target Company has entered into a perpetual royalty-free licence agreement in respect of the “Xiyun* (喜運)” trademark with an individual, who is the registrant of the trademark, and a director and general manager of each of the Target Company, Shaanxi Hi-tech and Daxingtang for obtaining the permission to use the said trademark; and

LETTER FROM THE BOARD

(xvii) the Buyer has received a certificate of Completion duly executed and issued by the Seller certifying that all applicable conditions precedent set out in the Equity Transfer Agreement have been duly satisfied.

According to the Equity Transfer Agreement, the Seller shall procure the satisfaction (or as the case may be, waiver by the Buyer) of the Conditions Precedent on or before the Long Stop Date. In case the Seller fails to perform its duties in procuring the satisfaction of the Conditions Precedent, the Buyer shall have the right to terminate the Equity Transfer Agreement and demand the Seller to pay liquidated damages amounting to RMB10 million and thereafter the Seller shall be released from all the obligations and liabilities; provided that the right to terminate the Equity Transfer Agreement shall not be available to the Buyer if the Buyer's failure to perform any of its obligations under the Equity Transfer Agreement has been a cause of the failure of the Completion by the Long Stop Date.

Having taken into account that procuring the satisfaction of the Conditions Precedent is the obligation on the part of the Seller after arm's length negotiations between the Seller and the Buyer, the Company considers that the arrangement in respect of the Conditions Precedent which can be waived by the Buyer is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Completion

Completion has taken place on 9 May 2023, following the fulfilment of all the Conditions Precedent, and the Target Company has ceased to be a subsidiary of the Company.

INFORMATION OF THE GROUP AND THE SELLER

The Company is an investment holding company and the Group is currently principally engaged in (i) the manufacturing and sales of prescription drugs, including chemical drugs and prescribed traditional Chinese medicines in the PRC; and (ii) operating fitness centres and providing consultation services for fitness and health activities, and operating franchise business for royalty fee income.

The Seller is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company. The Seller is principally engaged in the production and sales of chemical generic medicines in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Group consists of the Target Company and its subsidiaries, namely Shaanxi Hi-tech and Daxingtang. Each of the Target Company, Shaanxi Hi-tech and Daxingtang are companies established in the PRC with limited liability.

The Target Company is principally engaged in manufacturing and sales of Chinese medicine products. The Target Company has the land use rights pertaining to three pieces of lands in the PRC, (i) two of which are situated at No. 78 Zhongshan West Road, Jintai District* (金台區中山西路78號), Baoji City, Shaanxi Province, the PRC, both being held by

LETTER FROM THE BOARD

the Group in return of rental income; and (ii) one of which is situated at 14km away from Baoping Road, Chencang District* (陳倉區寶平路14公里處), Baoji City, Shaanxi Province, the PRC, where a production base has been built for manufacturing Chinese medicine products.

Shaanxi Hi-tech is principally engaged in manufacturing and sales of Chinese medicine products. Shaanxi Hi-tech has the land use right pertaining to one piece of land in the PRC situated at No. 506 Gaoxin Avenue, Chencang District* (陳倉區高新大道506號), Baoji City, Shaanxi Province, the PRC, where a new production base is under construction for manufacturing Chinese medicine products (the “**Property**”), the carrying value of which of approximately RMB151,005,000 as of 31 March 2023 is above 1% of the audited consolidated assets of the Group as at 31 December 2022.

The Property Valuation Report in relation to the Property is prepared according to Rule 5.02 of the Listing Rules and is contained in Appendix II to this circular. According to the Property Valuation Report, the appraised market value of the Property is RMB155,791,000 as of 31 March 2023, which represents a surplus of approximately RMB4,786,000 over the carrying value of the Property of approximately RMB151,005,000 as of 31 March 2023. The unaudited combined net assets of the Target Group attributable to the Company as at 31 March 2023, as adjusted by the aforesaid valuation surplus of the Property, would increase to approximately RMB31,223,000. The Consideration represents an increase of approximately 439% to the adjusted combined unaudited net assets of the Target Group attributable to the Company, and having taken into account that the Consideration is arrived through the public bidding held by SPTM, the Directors considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Daxingtang is principally engaged in research and development of Chinese medicine products. Daxingtang is inactive as at the Latest Practicable Date.

Set out below are certain consolidated financial information of the Target Group prepared under accounting principles generally accepted in the PRC:

	For the year ended 31 December 2021 (audited) <i>Approximately (RMB'000)</i>	For the year ended 31 December 2022 (unaudited) <i>Approximately (RMB'000)</i>
Revenue	67,473	62,320
Net profit before taxation	2,161	2,044
Net profit after taxation	2,161	2,044

Based on the unaudited consolidated financial information of the Target Group, the total assets value and net assets value of the Target Group were approximately RMB211,319,720 and RMB39,465,103 respectively as at 31 December 2022.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE TRANSACTION

Upon Completion, the Group will cease to have any interests in the Target Company, and the financial results of the Target Group thereafter will no longer be consolidated in the financial statements of the Group.

The Group expects to record an estimated gain on disposal of subsidiaries of approximately HK\$108,362,000 as a result of the Transaction at Completion, as elaborated below:

The Consideration (<i>note 1</i>)	HK\$192,183,000
Less: Unaudited carrying value of net assets of the Target Group attributable to the Group (<i>note 2</i>)	HK\$32,073,000
Goodwill associated with the Target Group (<i>note 3</i>)	HK\$48,109,000
Estimated transaction costs (<i>note 4</i>)	<u>HK\$3,639,000</u>
Estimated gain on disposal upon Completion	HK\$108,362,000

Notes:

- (1) This figure represents the Consideration (i.e. RMB168,160,080) converted into HK\$ calculated on the basis of illustrative exchange rate of RMB1 = HK\$1.143 as of 31 March 2023, which is the latest practicable date for ascertaining the financial effects of the Transaction prior to the printing of this circular;
- (2) This figure represents the net assets of the Target Group attributable to the Group as of 31 March 2023, which is the latest practicable date for ascertaining the financial effects of the Transaction prior to the printing of this circular;
- (3) This figure represents the goodwill associated with the Target Group, which was generated in 2016 when the Company acquired 60% of the equity interest in Tongfang Pharmaceutical and its subsidiaries, subject to final audit to be performed by the auditors of the Company;
- (4) This figure represents the estimated transaction costs incurred in connection with the Transaction.

The actual gain as a result of the Transaction to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

After taking into account of the Consideration (i.e. RMB168,160,080), the unaudited net assets of the Target Group as at 31 March 2023 (being the latest practicable date for ascertaining the financial effects of the Transaction prior to the printing of this circular), and the goodwill associated with the Target Group, it is estimated that upon Completion, the total assets of the Group will be decreased by approximately HK\$95.4 million and the total liabilities of Group will be decreased by approximately HK\$183.9 million. The actual impact of the Transaction to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

The Target Group is principally engaged in the business of the Chinese medicine-related fields, including the manufacturing and distribution of Chinese medicines and operating a production facility in Baoji City, Shaanxi Province. The main reasons for the Transaction are: (i) the price of raw materials for traditional Chinese medicine continues to rise, seriously affecting the profitability of the Target Group; (ii) the end-market of the Target Group is adversely affected by the pandemic with a slow recovery; (iii) the Target Group is not located in the core economic development district of Mainland China which poses certain obstacles such as product transportation, talents attraction, and market expansion and these issues were further highlighted amidst the pandemic; (iv) the demands for capital expenditure from the building of the production base of the Target Group are relatively high, and coupled with the impact of the three reasons abovementioned, the Company anticipated the period of the return on its investment would be longer than expected, resulting in an increased investment risk; and (v) the traditional Chinese medicine industry in which the Target Group is located has been affected by the continuous promotion of healthcare reform in Mainland China since the beginning of 2022, which brings uncertainties to the subsequent development of the Target Group. Considering the abovementioned reasons, and the relatively low contribution of the Target Group to the Group's revenue in the past two financial years (not more than 10%) as well as its low profitability, the Company believes that the Transaction represents a good opportunity to realize its investment in the Target Group, streamline its business operations, and reduce the uncertainties of the Group's future development. In particular, the Transaction aligns with the Group's current plan to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group, more specifically, in principal (i) production and sales of chemical generic drugs and prescription drugs undertaken by the Seller; and (ii) manufacturing, research and development, production and sales of active pharmaceutical ingredients and intermediates operated by Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司). Accordingly, the Transaction will enable the Group to increase its working capital and strengthen the overall financial position of the Group as well as accelerate the development of its pharmaceutical business.

The proceeds from the First Instalment of the Transaction of approximately RMB160,000,000 is intended to be used in the following manner:

- (i) approximately RMB30,000,000 will be utilised by the Seller to prepare its existing products to pass the generic drug quality and therapeutic effect consistency assessment;
- (ii) approximately RMB40,000,000 will be utilised by the Seller to construct its comprehensive office and research and development building;
- (iii) approximately RMB30,000,000 will be used by the Seller to conduct research and development of new products; and

LETTER FROM THE BOARD

- (iv) approximately RMB60,000,000 will be applied as general working capital of the Group, including payment of administrative expenses such as salaries and rentals in the amount of approximately RMB20,000,000, procurement of raw materials in the amount of approximately RMB20,000,000, and payment of tax incurred as result of the Transaction in the amount of approximately RMB20,000,000.

The proceeds from the Final Payment of the Transaction of approximately RMB8,408,000 will be applied as general working capital of the Group to pay administrative expenses.

In light of the above, the Board considers that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and the entering into of the Equity Transfer Agreement 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.

LISTING RULES IMPLICATIONS OF THE TRANSACTION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transaction exceed 25% but are below 75%, the Transaction constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have a material interest in the Equity Transfer Agreement and the transaction contemplated thereunder and therefore no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Equity Transfer Agreement and the transaction contemplated thereunder.

WRITTEN SHAREHOLDER'S APPROVAL

As at 13 April 2023, the Company has obtained a written Shareholder's approval from China Health, a controlling Shareholder directly holding 3,172,778,000 Shares, representing approximately 56.77% of the issued share capital of the Company as at the date of the Equity Transfer Agreement and up to the Latest Practicable Date, for approving the Equity Transfer Agreement and the transaction contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the approval of the Equity Transfer Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

Given that the valuation of the entire equity interest of the Target Company (the “Valuation”) adopted, among other things, the income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows, details of which shall be referred to the Asset Valuation Report contained in Appendix III to this circular:

(I) General Assumptions

1. *Transaction Assumption*

It is assumed that all the valuation subjects are in the process of transaction, and the valuation professionals conduct valuation based on simulated market such as transaction conditions of the appraised assets.

2. *Open Market Assumption*

Assets can be freely traded in a fully competitive market, the price of which depends on the judgment of independent buyers and sellers on the value of the assets under the supply condition of a certain market.

3. *Going-concern Assumption*

It is assumed that the operating activities of an operating entity can continue, and the operating activities of such entity will not be suspended or terminated in the foreseeable future.

(II) Special Assumptions

1. There are no material changes in the relevant prevailing laws, regulations and policies of the PRC and the macroeconomic situation of the PRC, no material changes in the political, economic and social environment of the regions where the parties to this transaction are located, and no material adverse impact caused by other unpredictable and force majeure factors;
2. It is assumed that the appraised enterprise will continue to operate in light of the actual conditions of the assets as at the valuation benchmark date;
3. It is assumed that the operators of the appraised company are responsible and the management of the company is capable of performing their duties;
4. Unless otherwise stated, it is assumed that the appraised company is in full compliance with all relevant laws and regulations;

LETTER FROM THE BOARD

5. It is assumed that the business scope and mode of the appraised company are consistent with the current direction on the basis of the existing management mode and management level;
6. It is assumed that the accounting policies to be adopted by the appraised company in the future are basically consistent with the accounting policies adopted as at the preparation of the Asset Valuation Report in all material aspects;
7. There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies;
8. There are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the appraised enterprise;
9. It is assumed that the cash inflow and cash outflow of the appraised entity after the valuation benchmark date are evenly distributed;
10. On the assumption that Shaanxi Hi-tech meets the relevant requirements and can continue to apply for the High and New Technology Enterprise Certificate, with the enterprise income tax being charged at the rate of 15%;
11. It is assumed that the high-tech factory of Shaanxi Hi-tech will be completed and put into normal production according to the expected completion time;
12. It is assumed that Shaanxi Hi-tech will complete the promotion plan for the three key drugs according to the relevant current sales plan;
13. It is assumed that all production and business licenses required for the production and operation of the appraised entity and its subsidiaries can be obtained in the future years;
14. It is assumed that the research and development capabilities and technological advancement of the appraised entity will remain at the current level after the valuation benchmark date, and the existing core research and development personnel and management team will remain stable during the forecast period.

BDO Limited has been engaged by the Company to review the calculations of the discounted future estimated cash flows upon which the Valuation was based on. The Board has reviewed and considered the Valuation including the principal assumptions upon which the Valuation was based. The Board has also considered the report from BDO Limited. On the basis of the foregoing, the Board is of the opinion that the Valuation has been made after due and careful enquiry. A report from BDO Limited and a letter from the Board are included in Appendix IV and Appendix V to this circular.

LETTER FROM THE BOARD

RECOMMENDATION

Although no general meeting will be convened for approving the Transaction, the Directors (including the independent non-executive Directors) believe that the Transaction and the Equity Transfer Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Transaction, the Directors would have recommended the Shareholders to vote in favour of the Transaction and the Equity Transfer Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

- (i) for the year ended 31 December 2022 has been disclosed on pages 123 to 324 of the Company's 2022 annual report published on 26 April 2023;
- (ii) for the year ended 31 December 2021 has been disclosed on pages 113 to 316 of the Company's 2021 annual report published on 27 April 2022; and
- (iii) for the year ended 31 December 2020 has been disclosed on pages 96 to 308 of the Company's 2020 annual report published on 26 April 2021.

The aforesaid annual reports of the Company are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.kontafarma.com.hk>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the details of the Group's indebtedness and contingent liabilities (unaudited) were as follows:

Bank borrowings

As at 30 April 2023, the Group had outstanding bank borrowings of approximately HK\$271,024,000. The borrowings comprised (i) unsecured and unguaranteed bank borrowings of approximately HK\$18,692,000; (ii) unsecured and guaranteed bank borrowings of approximately HK\$37,757,000; (iii) secured and guaranteed bank borrowings of approximately HK\$123,042,000 and (iv) secured and unguaranteed bank borrowings of approximately HK\$91,533,000.

The aforesaid secured bank borrowings were secured by the Group's right-of-use assets, buildings, bank balance, investment property, construction in progress and the assets of a subsidiary as at 30 April 2023.

Lease liabilities

As at 30 April 2023, the Group had outstanding lease liabilities of approximately HK\$313,817,000. The lease liabilities of (i) approximately HK\$1,898,000 were charged over the leased assets and unguaranteed; and (ii) remaining HK\$311,919,000 were unsecured and unguaranteed.

Amounts due to related parties

As at 30 April 2023, the Group had outstanding amounts due to related parties of approximately HK\$17,221,000 which were unguaranteed and unsecured.

Contingent liabilities

As at 30 April 2023, the Group had the following contingent liabilities arising from incidents as disclosed in the 2022 audited consolidated financial statements of the Company.

On 13 August 2019, the Company was served a writ of summons (the “**Writ**”) filed by Mr. Patrick John Wee Ewe Seng (“**Mr. PJW**”) and Active Gains Universal Limited (“**Active Gains**”) as the plaintiffs (collectively as the “**Plaintiffs**”) against the Company and Fester Global Limited (“**Fester Global**”), a wholly-owned subsidiary of the Company, as the defendants in the High Court of Hong Kong (the “**2019 Legal Proceedings**”) regarding certain arrangements under the sale and purchase agreement of acquisition of 51% equity interest in TFKT True Holdings (“**True Cayman**”) (“**SPA**”). The Group has filed the defence to the High Court of Hong Kong on 12 December 2019 and has been vigorously defending and opposing the Plaintiffs’ claims. In January 2021, the Group has enforced its right under a share charge agreement since Active Gains has failed to compensate the Group in respect of the profit guarantee shortfalls under the SPA. 10,000 shares in True Cayman charged in favour of Fester Global were transferred to Fester Global as partial settlement of the amounts due and payable under the profit guarantee arrangement. Subsequently, the Group issued a counterclaim (“**Counterclaim**”) against the Plaintiffs to recover the balance of the profit guarantee shortfalls, and in response, the Plaintiffs filed their Amended Reply, Defence to Counterclaim and Counterclaim to Counterclaim. On 4 January 2022, the Company and Fester Global filed (a) a Re-Amended Defence and Counterclaim and (b) a Rejoinder to Amended Reply and Reply to Defence to Counterclaim and Defence to Counterclaim to Counterclaim.

The 2019 Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed up to the date of the Latest Practicable Date. Based on the opinion of the management of the Company in consideration of the latest development, the possibility of any significant economic outflow in relation to the 2019 Legal Proceedings is remote.

In March 2021, Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) (“**Chongqing Kangle**”), a non-wholly owned subsidiary of the Company, received a court summons* (傳票) attaching a statement of civil claim* (民事起訴狀) (the “**Shanghai Legal Proceedings**”) from the Shanghai Xuhui District People’s Court* (上海市徐匯區人民法院) (“**Xuhui District Court**”) in relation to the claim made by Shanghai Haixin Pharmaceutical Co., Ltd.* (上海海欣醫藥股份有限公司) (“**Shanghai Haixin**”) against Chongqing Kangle as defendant for the alleged non-performance of a cooperation agreement on project for Hydroxychloroquine Sulfate* (硫酸氫氯喹項目合作協議) signed on 19 May 2011 between Chongqing Kangle and Shanghai Haixin (the “**Cooperation Agreement**”). Shanghai Haixin sought for court order to terminate the Cooperation Agreement, and claimed against Chongqing Kangle for the damages in the amount of RMB49,000,000 and the costs incurred in connection with the Shanghai Legal Proceedings. Chongqing Kangle had engaged lawyers and intended to vigorously defend Shanghai Haixin’s claims. On 25 November 2021, the Xuhui District

Court added Xi'an Haixin Medical Production Co., Ltd.* (西安海欣製藥有限公司) (“**Xi'an Haixin**”), an Independent Third Party as an additional party plaintiff to the Shanghai Legal Proceedings.

Pursuant to a civil mediation agreement* (民事調解書) (the “**Civil Mediation Agreement**”) issued by the Xuhui District Court on 24 June 2022, Chongqing Kangle, Shanghai Haixin and Xi'an Haixin have reached settlement in respect of the Shanghai Legal Proceedings through mediation conducted by the Xuhui District Court. According to the Civil Mediation Agreement, it is agreed that (i) the Shanghai Legal Proceedings shall be settled; (ii) Chongqing Kangle shall sell the active pharmaceutical ingredients Hydroxychloroquine Sulfate to Xi'an Haixin, and Xi'an Haixin shall make payment to Chongqing Kangle for such products provided; and (iii) Shanghai Haixin and Xi'an Haixin shall dismiss all the claims against Chongqing Kangle under the Shanghai Legal Proceedings, including the discharge of all freezing, seizure and attachment of assets under the Shanghai Legal Proceedings, and shall waive any future claim arising out of the Cooperation Agreement.

During the year ended 31 December 2022, the parties have complied with the terms of the Civil Mediation Agreement, and all freezing, seizure and attachment of assets of Chongqing Kangle under the Shanghai Legal Proceedings have been discharged. Goods were transferred on an arm's length basis. Management considered the Shanghai Legal Proceedings has completed with no material contingencies or provision made.

As part of the Group's further actions to seek compensation from Active Gains and Mr. PJW under the profit guarantee arrangement of SPA, in March 2022, a concurrent writ of summons with statement of claim (the “**Concurrent Writ**”) was served on Active Gains and Mr. PJW (collectively as the “**Defendants**”), outside Hong Kong pursuant to the leave granted by the High Court of Hong Kong on 18 February 2022 for serving the Concurrent Writ on the Defendants out of the jurisdiction of Hong Kong in relation to the legal action instituted by Fester Global, as the plaintiff, against the Defendants under the High Court Action No. 1942/2021 (the “**2021 Legal Proceedings**”). Fester Global's claims under the 2021 Legal Proceedings are related to the breaches of the SPA by Active Gains and Mr. PJW, and the breaches of the shareholders' agreement (the “**SHA**”) dated 29 May 2017 entered into among Fester Global, Active Gains and True Cayman by Active Gains. Details of Fester Global claims against Active Gains are disclosed in the Company's announcement dated 25 March 2022.

Active Gains and Mr. PJW have filed and served a Defence and Counterclaim on 20 July 2022, pursuant to which Active Gains counterclaimed for (i) a declaration that True Cayman is subject to trade sale as of 31 March 2020 pursuant to the SHA, (ii) specific performance of clauses 11.2 and 11.5 of the SHA, specifically the appointment of an appointed valuer (as defined under clause 11.3 of the SHA), and (iii) relevant damages for breach of the above provisions. In response, Fester Global filed Reply and Defence to Counterclaim on 11 November 2022.

The 2021 Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed up to the date of the Latest Practicable Date. Based on the opinion of the management of the Company after seeking legal advice and considering the latest development, the possibility of any significant economic outflow in relation to the 2021 Legal Proceedings is remote.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables, as at 30 April 2023, the Group did not have any debt securities issued or outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group and the effect of the Transaction, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the Group's latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) manufacturing and sales of prescription drugs, including chemical drugs and prescribed traditional Chinese medicines in the PRC; and (ii) operating fitness centres and providing consultation services for fitness and health activities, and operating franchise business for royalty fee income.

As stated in paragraph headed "Reasons for the Transaction" in the Letter from the Board, the Company believes that the Transaction represents a good opportunity to realize its investment in the Target Group, streamline its business operations, and reduce the uncertainties of the Group's future development. In particular, the Transaction aligns with the Group's current plan to deploy its resources in a more optimal way by concentrating the resources on driving the growth of pharmaceutical business of the Group, more specifically, in principal (i) production and sales of chemical generic drugs and prescription drugs undertaken by Tongfang Pharmaceutical; and (ii) manufacturing, research and development, production and sales of active pharmaceutical ingredients and intermediates operated by Chongqing Kangle.

In addition, the capital realized from the Transaction also allows the Group to pursue its overall strategy and benefit its long-term business development by further enhancing the synergies between its pharmaceutical business and fitness business. The Group will keep actively exploring new business models, partners and new profit growth drivers. Coupling such strategy with a focus on health-related businesses, the Company is optimistic about the future prospect and growth potential of the pharmaceutical business and fitness business and expects that such businesses will continue to be the driver of the sustainable growth of the Group going forward.

* *For identification purpose only*

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Valplus Consulting Limited, an independent valuer, in connection with its opinion of market value of the property interests held by the Target Group as at 31 March 2023.

**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
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

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

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.

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 measurement 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. 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 (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. Taxies 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:
- The Business Enterprise is the holder of the land use right of the property;
 - 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)

The following is the text of the Asset Valuation Report, prepared for the purpose of incorporation in this circular received from Beijing Zhongtianhua Asset Appraisal Co., Ltd. (北京中天華資產評估有限責任公司), an independent valuer, in connection with the value of the entire equity interest of the Target Company as at 30 September 2022.*

The Asset Valuation Report is prepared in Chinese, and the English version is translated from the Chinese version. In the event of any inconsistency, the Chinese version shall prevail.

This Asset Valuation Report is prepared in accordance with the PRC Asset Valuation Standards

Value of partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) involved in the proposed transfer of 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司)

ASSET VALUATION REPORT

**Zhong Tian Hua Zi Ping Bao Zi [2022] No. 11299
(Volume 1 of 1)**

Beijing Zhongtianhua Asset Appraisal Co., Ltd.

6 January 2023

CONTENTS

STATEMENT	33
SUMMARY	35
ASSET VALUATION REPORT	42
1. OVERVIEW OF THE CLIENT, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT	42
2. PURPOSE OF VALUATION	58
3. SUBJECT AND SCOPE OF VALUATION	59
4. VALUE TYPE	70
5. VALUATION BENCHMARK DATE	71
6. BASIS OF VALUATION	71
7. VALUATION METHODOLOGY	77
8. VALUATION PROCEDURES	92
9. VALUATION ASSUMPTIONS	95
10. VALUATION CONCLUSION	97
11. SPECIAL NOTES	100
12. RESTRICTION ON THE USE OF ASSET VALUATION REPORT	106
13. DATE OF ASSET VALUATION REPORT	107
ANNEX TO THE ASSET VALUATION REPORT	108

STATEMENT

1. This Asset Valuation Report has been prepared in accordance with the Basic Standards for Asset Valuation issued by the Ministry of Finance and the Practicing Standards and Code of Ethics for Asset Valuation issued by the China Appraisal Society.
2. The client or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the requirements of laws and administrative regulations and the scope of use set out in the Asset Valuation Report. If the client or other users of the Asset Valuation Report use(s) the Asset Valuation Report in violation of the foregoing requirements, we and the asset valuer disclaim any liability arising therefrom.

This Asset Valuation Report shall only be used by the client, other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and users of the Asset Valuation Report as stipulated by laws and administrative regulations. Except for the above, no other institution or individual shall be a user of the Asset Valuation Report.

We and the asset valuer would like to remind that users of the Asset Valuation Report should have a correct understanding of the valuation conclusion, which does not represent the realizable price of the valuation target, and the valuation conclusion should not be regarded as a guarantee for the realizable price of the valuation target.

3. We and the asset valuer are in compliance with the laws, administrative regulations and asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and assume responsibility for the Asset Valuation Report issued in accordance with the law.
4. The list of assets and liabilities involved in the valuation target has been submitted by the client and the appraised entity and confirmed by them by signing, sealing or other means permitted by law. The client and other relevant parties shall be liable for the truthfulness, completeness and legality of the information provided by them in accordance with the law.
5. We and the asset valuer have no existing or prospective interest in or relationship with the valuation target in the Asset Valuation Report, nor do we and the asset valuer have any existing or prospective interest in or relationship with the relevant parties and have any bias against the relevant parties.
6. The asset valuer has conducted on-site investigation on the valuation target and the assets involved in the Asset Valuation Report; has paid necessary attention to the legal ownership status of the valuation target and the assets involved, verified the legal ownership information on the valuation target and the assets involved, truthfully disclosed the issues identified, and requested the client and other relevant parties to perfect the ownership to meet the requirements for issuing the Asset Valuation Report.

7. The analysis, judgment and results in the Asset Valuation Report issued by us are subject to the assumptions and restrictions in the Asset Valuation Report. Users of the Asset Valuation Report shall fully consider the assumptions, restrictions and special notes set out in the Asset Valuation Report and their impacts on the valuation conclusion.

**The asset valuation report on the partial
shareholders' equity of Shaanxi Unisplendour Life Care
Pharmaceutical Co., Ltd. involved in the proposed transfer of
66% equity interest in Shaanxi Unisplendour Life Care
Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical
Group Co., Ltd.**

SUMMARY

Zhong Tian Hua Zi Ping Bao Zi (2022) No. 11299

Beijing Zhongtianhua Asset Appraisal Co., Ltd. was engaged by Tongfang Pharmaceutical Group Co., Ltd. to assess the value of the partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. involved in the proposed transfer of 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd. and provide a value reference for the proposed transfer.

For the purpose of this valuation, the valuation target is the partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., and the scope of valuation covers all assets and related liabilities of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date. The specific scope of valuation is based on the balance sheet and asset valuation declaration form provided by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd..

The valuation benchmark date is 30 September 2022.

The type of value in this valuation is market value.

This valuation takes going concern and open market as the premise combined with the actual situation of the valuation target and comprehensive consideration of various factors, and adopts the asset-based approach and the income approach, respectively, to conduct an overall valuation of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., which is then analyzed and compared, and the valuation conclusion is finally determined. As the operating business of the parent company and its subsidiaries are basically the same, this valuation is conducted using the consolidated income approach.

Based on the above valuation work, under the premise and assumption of valuation, the following valuation conclusion is arrived at:

Valuation results under the asset-based approach: As at the valuation benchmark date of 30 September 2022, the book value of total assets, total liabilities and net assets reported by the appraised entity amounted to RMB119,180,900, RMB80,193,500 and RMB38,987,400, respectively; the appraised value of total assets amounted to RMB180,950,600, representing an appreciation of RMB61,769,700 or 51.83%; the appraised value of total liabilities amounted to RMB63,780,000, representing a depreciation of RMB16,413,500 or 20.47%; and the appraised value of total shareholders' equity amounted to RMB117,170,600, representing an appreciation of RMB78,183,200 or 200.53%.

Valuation results under the income approach: The book value of net assets of the appraised entity as at the valuation benchmark date of 30 September 2022 was RMB38,987,400 (on the basis of the parent company), and the value of total shareholders' equity under the income approach was RMB133,077,000, representing an appreciation of RMB94,089,600 or 241.33%.

Considering the applicable premise of the valuation method and the valuation purpose, the valuation results under the income approach is adopted as the final valuation conclusion, i.e. the value of the total shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. is RMB133,077,000.

Without taking into account the possible discount or premium of such equity interest and the impact of equity liquidity on the appraised value, the final appraised value of 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date is RMB87,830,800.

When using this valuation conclusion, users of the report should pay attention to the special events and significant subsequent events stated herein.

The valuation conclusion of this report is valid for one year from the valuation benchmark date, i.e. valid until 29 September 2023. Re-assessment is required after one year.

In using this valuation conclusion, users of the report are advised to pay attention to the following matters:

1. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has not applied for the title certificates for all the buildings. The enterprise undertakes that such assets are owned by it, and the possible dispute arising from the ownership of such assets is not related to the valuation agency. For such assets, the area reported by the enterprise is based on on-site measurement. For the area reported by the enterprise, the valuer conducted spot checks and verification and evaluated the area reported by the enterprise. If the area is inconsistent with the area reported when the enterprise applies for the relevant title certificate in the future, the evaluation results shall be adjusted according to the area specified in the title certificate. This valuation does not take into account the expenses related to the subsequent property right handling matters. Details of the buildings without title certificates are as follows:

No.	Name of building	Structure	Date of completion	GFA (m^2)	Book value	
					Original value	Net value
1	Crushing workshop	Brick and concrete	1984/1/1	865.00	435,553.27	17,422.13
2	Raw material warehouse of the branch factory	Brick and concrete	1995/6/8	824.00	196,686.96	7,867.48
3	Power distribution room of the branch factory	Brick and concrete	1995/6/8	108.20	12,218.54	488.74
4	Workers' children school of the branch factory	Brick and concrete	1995/6/8	465.00	14,641.18	585.65
5	Office building of the branch factory	Brick and concrete	1995/6/8	1,940.40	495,556.54	19,822.26
6	Bath room of the branch factory	Brick and concrete	2001/10/10	112.50	66,954.39	10,361.66
7	Warehouse of the branch factory	Brick and concrete	2001/10/12	787.62	589,708.68	103,401.82
8	Water pump room	Brick and concrete	2001/11/15	30.00	61,891.12	10,703.39
9	Washroom of the branch factory	Brick and concrete	2002/1/6	100.00	108,029.06	20,789.88
10	Solid and pill workshop of the new factory	Brick and concrete	2002/12/13	2,280.00	5,403,914.54	1,256,572.30
11	Staff quarters	Brick and concrete	2003/4/24	2,912.00	310,296.41	60,570.00
12	Outsourced workshop	Brick and concrete	2003/11/24	492.00	378,823.23	100,666.91

No.	Name of building	Structure	Date of completion	GFA (m^2)	Book value	
					Original value	Net value
13	Turnover room for powder washing tank	Brick and concrete	2004/2/1	216.00	150,000.00	41,735.00
14	Finished goods warehouse of the branch factory	Brick and concrete	2004/7/22	530.00	195,000.00	58,188.00
15	Fluid workshop and biological testing room	Brick and concrete	2005/4/18	180.00	123,220.00	37,952.48
16	Refinery workshop	Brick and concrete	2008/3/21	400.00	371,684.52	171,163.18
17	Oral solution workshop	Framework	2010/12/28	570.00	1,189,942.71	661,751.14
18	Staff canteen	Framework	2011/12/29	810.00	1,672,094.59	994,595.88
19	Boiler room	Brick and concrete	2016/9/28	233.00	101,827.93	21,997.68
20	Pre-treatment workshop	Brick and concrete	2016/9/28	1,344.00	1,991,377.12	895,305.16
21	Sewage treatment station	Brick and concrete	2016/9/28	250.00	288,452.24	217,867.67
Total				<u>15,449.72</u>	<u>14,157,873.03</u>	<u>4,709,808.41</u>

2. The case of the dispute over the sale and purchase contract between Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, and Li Jiaying and Chongqing Jiade Pharmaceutical Co., Ltd.* (重慶嘉德醫藥有限公司), the defendants, was accepted by the People's Court of Jintai District, Baoji City, Shaanxi Province on 18 January 2021. On 10 April 2021, the first instance judgment was made, dismissing the claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. appealed to the Intermediate People's Court of Baoji City, and the Intermediate People's Court of Baoji City ruled to return to the retrial. On 30 June 2022, according to the civil judgment (2022) Shaan 0303 Min Chu No. 271 issued by the People's Court of Jintai District, the contents of the judgment are as follows: "I. Li Jiaying, the defendant, returned the rebated amount of RMB152,611.2 to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff. II. The claim of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. against Chongqing Jiade Pharmaceutical Co., Ltd. was rejected. III. Other claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, were rejected. Li Jiaying filed an appeal with the Intermediate People's Court of Baoji City, Shaanxi Province, with the content of appeal as follows, "1. Revoke the civil judgment (2022) Shaan 0303 Min Chu No. 271, and instead to dismiss the claim of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the respondent, against the appellant according to law. 2. The litigation fees for the first and second instance of this case shall be borne by

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the respondent.” On 8 December 2022, the Intermediate People’s Court of Baoji City, Shaanxi Province issued a civil judgment (2022) Shaan 03 Min Zhong No. 2379, the contents of which are as follows: “I. Maintaining the second civil judgment of the People’s Court of Jintai District, Baoji City (2022) Shaan 0303 Min Chu No. 271, i.e. “dismissing the claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. against Chongqing Jiade Pharmaceutical Co., Ltd.”; II. revoking the first and third civil judgment of the People’s Court of Jintai District, Baoji City (2022) Shaan 0303 Min Chu No. 271; III. Li Jiaying shall return RMB61,044.48 to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. within 10 days from the effective date of this judgment; IV. dismissing other claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.”. This judgment is final. According to the Judgment, Li Jiaying has resulted in the direct loss to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. due to malicious tampering during the agency sales period and after the expiration of the term. As the final judgment was handed down after the valuation benchmark date, the enterprise did not conduct accounting treatment and accounting for the matter as of the valuation benchmark date of 30 September 2022. Therefore, this valuation does not take into account the impact of this matter on the appraised value, and the report users are advised to pay attention.

3. The case of the dispute over the sale and purchase contract between Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, and Shaanxi Zhongyou Health Pharmaceutical Co., Ltd.* (陝西眾友健康醫藥有限公司), Shaanxi Zhongyou Health Tonghetang Pharmaceutical Chain Co., Ltd.* (陝西眾友健康同和堂醫藥連鎖有限公司) and Gansu Zhongyou Health Pharmaceutical Co., Ltd.* (甘肅眾友健康醫藥股份有限公司), the defendants, where Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. filed a lawsuit on 26 September 2022, and it was accepted by the People’s Court of Jintai District, Baoji City on 28 September 2022. The defendants raised jurisdiction objection according to the purchase and sale agreement. The People’s Court of Jintai District, Baoji City transferred the case to the People’s Court of Weiyang District, Xian City on 23 November 2022, pending further progress. The claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, are as follows: “1. Requesting the Court to order the three defendants to jointly pay the plaintiff the principal of the goods payment of RMB168,640.5 and calculate the default penalty for overdue payment based on the default principal of the goods at 1.5 times of the loan prime rate for the same period published by the National Interbank Funding Center from 1 October 2021. As of the date of the lawsuit filed by the plaintiff, the total default penalty is RMB9,326.52. From the above, the aggregate amount will be RMB177,967.02; 2. The litigation costs and preservation fees of the case shall be borne by the defendants.” The content of the above legal proceedings corresponding to the scope of this valuation is accounts receivable — Shaanxi Zhongyou Health Tonghetang Pharmaceutical Chain Co., Ltd. — Shi Jianhui No. 2 Chain Store; As verified by the valuers, there is a difference of RMB1,546.48 between the claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. and the book value of receivables; The reason for the

difference is that part of the goods returned by the counterparty has been recorded, and Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has not recorded yet; The enterprise issued a statement that upon the conclusion of the dispute, the difference shall be borne by Shi Jianhui, the operator, and Tian Nailin, the manager of the second department. This valuation does not take into account the impact of this matter on the appraised value, and the report users are advised to pay attention.

4. Pledge in relation to the long-term equity investment in Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd.:

Unisplendour Hi-Tech has registered the mortgage of the construction in progress — “Pharmaceutical Production Base Project”. According to the Real Estate Ownership Certificate No. Shaan (2022) Baoji City Bu Dong Chan Quan No. 0338828, the right or matter is the subject of the mortgage of the construction in progress. The right owner is the Baoji Branch of Bank of Communications Co., Ltd., and the obligor is Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd., which is located at No. 506, Gaoxin Avenue, Chencang District. The debt performance period is from 19 July 2022 to 31 December 2029. Bank of Communications and Unisplendour Hi-Tech have entered into the Fixed Assets Loan Contract (No.: 462200019) and the Mortgage Contract (No.: 46220001S-3-1). Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. and Tongfang Pharmaceutical have jointly guaranteed and entered into the Guarantee Contract (No.: 462200019-1, 462200019-2). On 31 August 2022, Unisplendour Hi-Tech submitted the Application for the Use of Loan Facility to Bank of Communications, and the loan amount is RMB77,000,000 with an annual interest rate of 4.65%.

5. Among the intangible assets declared by the enterprise, the land certificate number is Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198132, and the land parcel was acquired in 1995 and was purchased for a long time. After the acquisition, the enterprise made a one-off amortization in accordance with the accounting standards and other relevant policies of the year, so the book value of the land is nil, and the relevant land grant contract cannot be provided. The appraisers verified the content of the related land certificate. The ownership of the land parcel is vested to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.. Upon the judgment of the appraisers, the matter has no impact on the appraised value.
6. Among the investment properties declared by the enterprise, the land parcel No. Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198133 and No. Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198134 stipulated in the Land Lease Contract that when the lessee no longer renew the lease of the land after the expiration of the lease term, the ownership of the attachments on the leased land shall be vested to the lessee, and the disposal right of the attachments shall be vested to the lessee. The report users shall pay attention to the issue of inconsistency between the owner of the land and the owner of the buildings on the land.

7. Among the investment properties declared by the enterprise, the lessee Baoji Shopping Mall (Group) Co., Ltd. leased the land parcel No. (2020) Bao Ji City Bu Dong Chan Quan No. 0198133 and Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198134. The report users shall pay attention to the legal risks that may arise from illegal change of use when constructing supermarkets on the ground. Based on the principle of legality, the land use stated in the land certificate is adopted for the valuation of industrial land, without considering the impact on the valuation conclusion caused by the change of land use, and the report users are advised to pay attention.

The above content is extracted from the text of the Asset Valuation Report. To understand the details of this valuation and correctly understand the valuation conclusion, please read the text of the Asset Valuation Report.

**Value of partial shareholders' equity of
Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.
involved in the proposed transfer of 66% equity interest in
Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.
held by Tongfang Pharmaceutical Group Co., Ltd.**

**ASSET VALUATION REPORT
Zhong Tian Hua Zi Ping Bao Zi (2022) No. 11299**

Tongfang Pharmaceutical Group Co., Ltd.:

Beijing Zhongtianhua Assets Appraisal Co., Ltd., as entrusted by the Company, has complied with the laws, administrative regulations and asset valuation standards, adhered to the principles of independence, objectivity and impartiality, performed necessary asset valuation procedures according to the entrustment, adopted the asset-based approach and the income approach, and appraised the market value of partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. involved in the proposed transfer by Tongfang Pharmaceutical Group Co., Ltd. as at 30 September 2022.

The asset valuation is reported as follows:

1. OVERVIEW OF THE CLIENT, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT

The principal of this project is Tongfang Pharmaceutical Group Co., Ltd., and the appraised entity is Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.. The users of the Asset Valuation Report include the principal, other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and users of the Asset Valuation Report as required by national laws and regulations. Except for the above, any third party receiving the report shall not be regarded as the user of the Asset Valuation Report, and the asset valuation agency and the asset valuer shall not be liable for any losses incurred by such third party due to the misuse of the Asset Valuation Report.

(1) Profile of the principal

1. Company name: Tongfang Pharmaceutical Group Co., Ltd.
2. Nature of enterprise: Limited liability company (wholly owned by legal person of Taiwan, Hong Kong and Macau)
3. Registered capital: RMB200,000,000
4. Registered address: No. 23 Xikang Road, Badaling Town, Yanqing District, Beijing (Yanqing Park of Zhongguancun Science Park)
5. Legal representative: Jiang Chaowen

6. Date of establishment: 8 December 1993
7. Term of operation: 13 November 2015 to 12 November 2035
8. Scope of operation: Production of tablets (including anti-tumor drugs), gel, cream, powder for injection (cephalosporins), patches (drug production license valid until 7 December 2025); Sales of passivation top spirulina tablets; manufacturing and sales of food (including health food); production of cosmetics; production of medical devices and disinfection products; sales of Class I medical devices, Class II medical devices, disinfection products and cosmetics; import and export of goods, import and export of technology and agency import and export; leasing of commercial properties; technology development and technical services; corporate management services; corporate management consulting; warehousing services. (Market entities shall choose their own business projects and carry out business activities in accordance with the law; such enterprise was converted from a domestic enterprise into a foreign-invested enterprise on 13 November 2015; production of cosmetics and items subject to approval in accordance with the law, and the business activities shall be carried out according to the approved content after obtaining the approval from relevant authorities; no business activities prohibited and restricted by industrial policies of the state and the city and in relation to restricted items shall be carried out.
9. Historical development:

Tongfang Pharmaceutical Group Co., Ltd., formerly known as Beijing Qinghua Ziguang Pharmaceutical Factory* (北京清華紫光製藥廠), was registered with the Beijing Administration for Industry and Commerce on 8 December 1993 and obtained the Business License for Enterprise Legal Person. Beijing Qinghua Ziguang Pharmaceutical Factory was established with a registered capital of RMB6,000,000 and was approved to be transferred from Tsinghua Ziguang (Group) Corporation* (清華紫光集團總公司) to Tsinghua Holdings Co., Ltd.* (清華控股有限公司) on 8 December 2004. On 12 November 2007, upon the approval of Beijing Administration for Industry and Commerce, Tsinghua Holdings Co., Ltd. invested RMB80,000,000 in Beijing Qinghua Ziguang Pharmaceutical Factory and transformed Beijing Qinghua Ziguang Pharmaceutical Factory into Beijing Huakong Ziyuan Technology Co., Ltd.* (北京華控紫源科技有限公司) as a whole. After the conversion, Beijing Huakong Ziyuan Technology Co., Ltd. had a registered capital of RMB80,000,000. On 5 December 2007, with the approval of Beijing Administration for Industry and Commerce, Beijing Huakong Ziyuan Technology Co., Ltd. was renamed as Beijing Ziguang Pharmaceutical Co., Ltd.* (北京紫光製藥有限公司). On 13 August 2010, Tsinghua Holdings Co., Ltd. transferred its 100% equity interest in our Company to Shenzhen Warranty Asset Management Co., Ltd.. Among which, Shenzhen Warranty Asset Management Co., Ltd. contributed RMB80,000,000, accounting for 100% of the registered capital.

On 24 March 2011, pursuant to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., Tongfang Pharmaceutical Group Co., Ltd. increased its registered capital by RMB53,330,000. After the change of shareholding, the registered capital became RMB133,330,000, which was contributed by Shenzhen Shiao Wan Yun Investment Co., Ltd.* (深圳市世奧萬運投資有限公司). The shareholding structure is as follows:

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Shenzhen Warranty Asset Management Co., Ltd.	8,000.00	60%
Shenzhen Shiao Wan Yun Investment Co., Ltd.	<u>5,333.00</u>	<u>40%</u>
Total	<u><u>13,333.00</u></u>	<u><u>100%</u></u>

On 23 March 2015, pursuant to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., the registered capital of Tongfang Pharmaceutical Group Co., Ltd. was reduced by RMB13,330,000. After the change of shareholding, the registered capital became RMB120,000,000.

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Shenzhen Warranty Asset Management Co., Ltd.	7,200.00	60%
Shenzhen Shiao Wan Yun Investment Co., Ltd.	<u>4,800.00</u>	<u>40%</u>
Total	<u><u>12,000.00</u></u>	<u><u>100%</u></u>

On 23 November 2015, according to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., there was a change of the shareholders of Tongfang Pharmaceutical Group Co., Ltd. to include a shareholder, Sea Best Group Limited. After the change of shareholding, the registered capital remained at RMB120,000,000.

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Shenzhen Waranty Asset Management Co., Ltd.	7,200.00	60%
Shenzhen Shiao Wan Yun Investment Co., Ltd.	4,200.00	35%
Sea Best Group Limited	<u>600.00</u>	<u>5%</u>
Total	<u><u>12,000.00</u></u>	<u><u>100%</u></u>

On 18 May 2016, pursuant to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., there was a change of the shareholders of Tongfang Pharmaceutical Group Co., Ltd., with the exit of Shenzhen Waranty Asset Management Co., Ltd. and included a shareholder, Kingwood Limited. After the change of shareholding, the registered capital remained at RMB120,000,000.

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Kingwood Limited	7,200.00	60%
Shenzhen Shiao Wan Yun Investment Co., Ltd.	4,200.00	35%
Sea Best Group Limited	<u>600.00</u>	<u>5%</u>
Total	<u><u>12,000.00</u></u>	<u><u>100%</u></u>

On 2 May 2018, pursuant to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., there was a change of the shareholders of Tongfang Pharmaceutical Group Co., Ltd. with the exit of Sea Best Group Limited and Shenzhen Shiao Wan Yun Investment Co., Ltd. exited. After the change of shareholding, the registered capital remained at RMB120,000,000.

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Kingwood Limited	<u>12,000.00</u>	<u>100%</u>
Total	<u><u>12,000.00</u></u>	<u><u>100%</u></u>

On 17 September 2018, pursuant to the shareholders' decision and amended articles of association of Tongfang Pharmaceutical Group Co., Ltd., Kingwood Limited, the original shareholder of Tongfang Pharmaceutical Group Co., Ltd. increased its registered capital by RMB80,000,000. After the change of shareholding, the registered capital became RMB200,000,000 and was subscribed by Kingwood Limited. The shareholding structure is as follows:

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Kingwood Limited	<u>20,000.00</u>	<u>100%</u>
Total	<u><u>20,000.00</u></u>	<u><u>100%</u></u>

The registration procedures for the above shareholding change and capital change have been completed.

The shareholding structure of Tongfang Pharmaceutical Group Co., Ltd. as of 30 September 2022, the valuation benchmark date, is as follows:

Name of shareholder	Capital contribution (RMB ten thousand)	Percentage of shareholding
Kingwood Limited	<u>20,000.00</u>	<u>100%</u>
Total	<u><u>20,000.00</u></u>	<u><u>100%</u></u>

Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) is the indirect controlling shareholder of Tongfang Pharmaceutical Group Co., Ltd..

(2) Introduction of the appraised entity

1. Company name: Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (“Unisplendour Life Care”)
2. Operation premises: 78 Zhongshan West Road, Jintai District, Baoji City, Shaanxi Province
3. Legal representative: Jiang Chaowen
4. Registered capital: RMB80,073,000
5. Type of enterprise: Other limited liability company

6. Date of establishment: 23 December 1997
7. Term of operation: 23 December 1997 to no fixed term
8. Main scope of operation: general items: import and export of goods; sales of food (sales of pre-packaged food only); sales of Class II medical devices; production of chemical products (excluding licensed chemical products); manufacturing of mechanical and electrical equipment; manufacturing of electrical device; manufacturing of capacitors and its ancillary equipment; research and development of electric motors and their control systems; information technology consulting services; sales of formula food for special medical purposes; food import and export; retail of cosmetic products; retail of protective equipment for medical personnel; wholesale of cosmetic products; wholesale of medical masks and wholesale of protective equipment for medical staff; retail sales of medical masks (except for items subject to approval according to law, can carry out its own business activities in relation to the operating permit according to law). Licensed items: retail of pharmaceutical products; production of pharmaceutical products; entrusted production of pharmaceutical products; import and export of pharmaceutical products; road cargo transportation (excluding dangerous goods); operation of Class III medical devices; catering services; manufacturing of health care products (non-food); sales of healthcare products (non-food); wholesale of pharmaceutical products; food operation (sale of bulk food); sales of disinfection devices; internet food sales; internet access services; internet news information services; internet information services; internet drug information services (items subject to approval in accordance with the law, business activities can only be carried out subject to approval from relevant authorities, and specific business items shall be subject to the approval results).
9. Historical development

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., born as the “Daxintang” pharmacy in the Republic of China era in 1918. In 1958, it was established as Baoji Pharmaceutical Factory, a state-owned socialist system organization established by a public-private joint venture.

In 1997, with the approval of the Baoji Economic System Reform Committee, the “Baoji Pharmaceutical Factory” was transformed from a “factory” to a “company” into “Shaanxi Chenji Pharmaceutical Co., Ltd.* (陝西晨雞製藥業有限責任公司)”.

On 5 March 2003, the name of Shaanxi Chenji Pharmaceutical Co., Ltd. was changed to Baoshang Group Shaanxi Chenji Pharmaceutical Co., Ltd.* (寶商集團陝西辰濟藥業有限公司).

On 26 May 2011, the State-owned Assets Supervision and Administration Commission of the People's Government of Baoji City contributed RMB667,900, representing 8.34% of the registered capital; the Employee Shareholding Committee of Shaanxi Life Care Pharmaceutical Co., Ltd.* (陝西辰濟藥業有限公司) contributed RMB2,054,400, representing 25.66% of the registered capital; and E-Food Group Co., Ltd. contributed RMB5,285,000, representing 66.00% of the registered capital. The change of shareholding structure is as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Baoji State-owned Assets Supervision and Administration Commission	8.34%	66.79
2	Employee Shareholding Committee of Shaanxi Life Care Pharmaceutical Co., Ltd.	25.66%	205.44
3	E-Food Group Co., Ltd.	66.00%	528.50
	Total	100.0%	800.73

On 26 May 2011, the name of Baoshang Group Shaanxi Life Care Pharmaceutical Co., Ltd. was changed to Shaanxi Life Care Pharmaceutical Co., Ltd..

On 26 January 2014, the State-owned Assets Supervision and Administration Commission of the People's Government of Baoji City contributed RMB667,900, representing 8.34% of the registered capital; Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.* (陝西鑫匯源醫藥科技有限公司) contributed RMB2,054,400, representing 25.66% of the registered capital; Beijing Ziguang Pharmaceutical Co., Ltd. contributed RMB5,285,000, representing 66.00% of the registered capital. The change of shareholding structure is as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Baoji State-owned Assets Supervision and Administration Commission	8.34%	66.79
2	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	25.66%	205.44
3	Beijing Ziguang Pharmaceutical Co., Ltd.	66.00%	528.50
	Total	100.00%	800.73

On 22 December 2014, Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd. contributed RMB2,722,300, representing 34.00%; Beijing Ziguang Pharmaceutical Co., Ltd. contributed RMB5,285,000, representing 66.00% of the registered capital. The change in shareholding structure is as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Baoji State-owned Assets Supervision and Administration Commission	34.00%	272.23
2	Beijing Ziguang Pharmaceutical Co., Ltd.	<u>66.00%</u>	<u>528.50</u>
	Total	<u>100.00%</u>	<u>800.73</u>

On 5 January 2015, the name of Shaanxi Life Care Pharmaceutical Co., Ltd. was changed to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd..

In August 2015, Beijing Ziguang Pharmaceutical Co., Ltd. (currently known as Tongfang Pharmaceutical Group Co., Ltd.) contributed RMB52,850,000, representing 66.0023% of the registered capital, and Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd. contributed RMB27,223,000, representing 33.997% of the registered capital. The changes in shareholding structure is as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Tongfang Pharmaceutical Group Co., Ltd.	66.0023%	5,285.00
2	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	<u>33.997%</u>	<u>2,722.30</u>
	Total	<u>100.00%</u>	<u>8,007.30</u>

In June 2016, Beijing Ziguang Pharmaceutical Co., Ltd. (currently known as Tongfang Pharmaceutical Group Co., Ltd.) contributed RMB336,256,400, representing 92.5104% of the registered capital; Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd. contributed RMB27,223,000, representing 7.4896% of the registered capital. The change of shareholding structure is as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Tongfang Pharmaceutical Group Co., Ltd.	92.5104%	33,625.64
2	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	<u>7.4896%</u>	<u>2,722.30</u>
	Total	<u>100.00%</u>	<u>36,347.94</u>

In May 2018, Beijing Ziguang Pharmaceutical Co., Ltd. (currently known as Tongfang Pharmaceutical Group Co., Ltd.) contributed RMB52,848,180, representing 66% of the registered capital; Shaanxi Xinhui Pharmaceutical Technology Co., Ltd. contributed RMB27,224,820, representing 34% of the registered capital; the changes in shareholding structure are as follows:

No.	Name of investor	Percentage of shareholding	Capital contribution (RMB ten thousand)
1	Tongfang Pharmaceutical Group Co., Ltd.	66.00%	5,284.818
2	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	<u>34.00%</u>	<u>2,722.482</u>
	Total	<u>100.00%</u>	<u>8,007.30</u>

The registration procedures for the above shareholding change and capital change have been completed.

The shareholding of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date is as follows:

No.	Name of investor	Percentage of shareholding	Paid amount (RMB ten thousand)	Proportion of paid-in capital
1	Tongfang Pharmaceutical Group Co., Ltd.	66.00%	5,284.818	66.00%
2	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	<u>34.00%</u>	<u>2,722.482</u>	<u>34.00%</u>
	Total	<u>100.00%</u>	<u>8,007.30</u>	<u>100.00%</u>

10. Corporate profile

After 60 years of transformation and development, Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has been continuously introducing scientific research technologies and strategic cooperation, and has gradually developed into a comprehensive pharmaceutical enterprise including modern pharmaceutical, pharmaceutical commerce, and GAP medicinal herb planting, with a century-old history. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. had a registered capital of RMB80,073,000 in 2015. Tongfang Pharmaceutical Group Co., Ltd., a shareholder of the Company, increased its capital by RMB283,408,200 in 2016, and further reduced its capital by RMB283,408,200 in 2018. As at the valuation benchmark date, the registered capital of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. was RMB80,073,000.

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has a comprehensive quality assurance system, a production management system and a provincial enterprise technology center, which owns office buildings, living buildings and staff canteens; extraction workshop, pre-treatment workshop, solid preparation workshop, fluid workshop, outsourcing workshop and other supporting production facilities and equipment, as well as environmental protection and sewage treatment facilities and equipment; it has 15 production lines for nine major dosage forms, including capsules, tablets, granules, pills, oral solution and syrup, and 157 products with SFDA approval number, including 44 national essential drugs, 6 exclusive products (Shugankuai and Gastrointestinal Pills, Yangshen Wujia oral solution, Qingxuan oral solution, Shouwu Tablets, Amber Huatan and Jingying Pills), and 3 national patented products; 76 national registered trademarks.

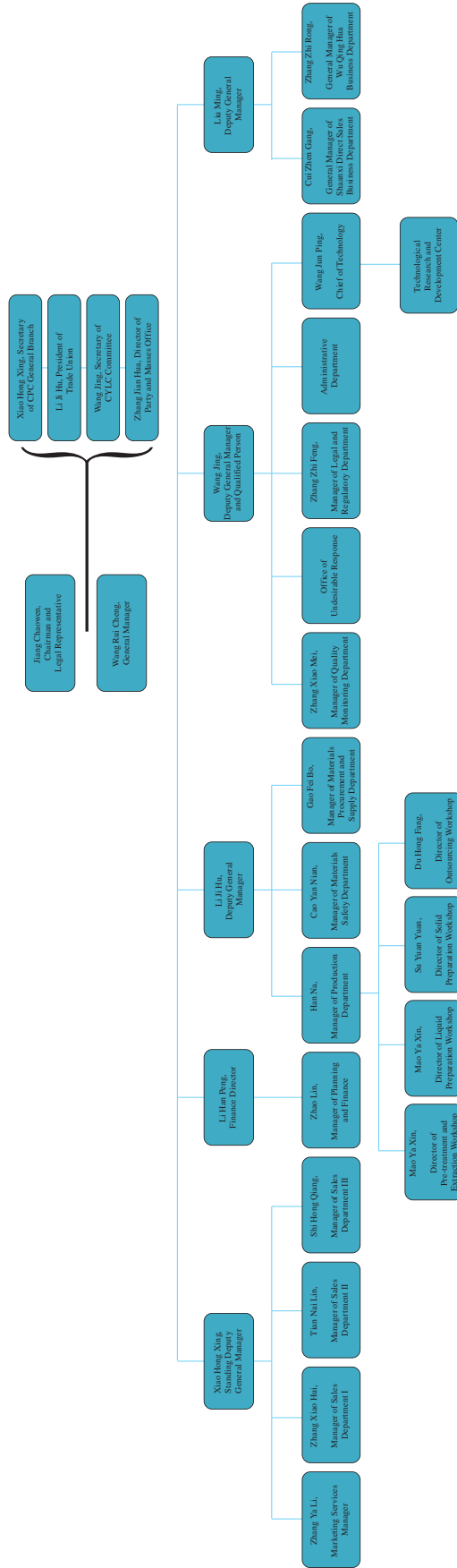
Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has obtained the Pharmaceutical GMP Certificate (Certificate No.: SN20190370), which is valid from 24 July 2019 to 23 July 2024. The Pharmaceutical Manufacturing Permit (Certificate No.: 20160135) is valid from 8 April 2022 to 20 December 2025. According to the High-tech Enterprise Certificate (Certificate No. GR201961000742), the Company implemented a preferential corporate income tax rate of 15% from 2019 to 2021.

In November 2020, Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. established a wholly-owned subsidiary, Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd., with a registered capital of RMB100,000,000. The registered address is No. 506, Gaoxin Avenue, Hi-Tech New Town, Baoji City, and the construction of the “Unisplendour Life Care (Baoji) Pharmaceutical Production Base” project. The project has a total site area of 125 mu, a net land area of 104 mu, a designed construction density of 44.53%, a designed plot ratio of 0.93, and a total investment of RMB300,000,000. The project is well-equipped with infrastructure facilities, with access to water and electricity, convenient transportation and communication facilities. The surrounding environment is superior. The project has a total gross floor area of 43000 m², and is mainly built into complex building, living building, Joint Factory I, Joint Factory II, extraction workshop, emergency platform library and auxiliary power facilities, fire control pool, production and living pool, circulating water pool, etc.; it is planned to be fully completed in December 2023 and all works are in normal progress.

After the project is completed and put into operation, it can produce 30,000,000 bottles/boxes of oral solid preparations and 10,000,000 bottles/boxes of oral liquids, with a total annual production of 40,000,000 bottles/boxes/bags.

11. Organizational Structure

Chart of the Organizational Structure of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.



12. Project Background

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., born as the “Daxintang” pharmacy in the Republic of China era in 1918. In January 2015, it was renamed as Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.. In recent years, Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has been under the pressure of increasing costs, upgrading and expanding, funding pressure in relation to construction projects for increasing production capacity. In addition, the brand effect of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. is relatively weak and there are more sales restrictions in the remote location of Baoji City where the company is located. In order to reduce costs and increase efficiency, reduce capital pressure, reduce operational risks, dispose of obsolete and inefficient assets at an appropriate time, and focus limited resources on advantageous assets, Tongfang Pharmaceutical Group Co., Ltd. proposes to transfer 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.

13. The long-term equity investment of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date is as follows:

No.	Name of investee	Percentage of shareholding	Book value (RMB ten thousand)
1	Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd.	100%	5,255.88
	Total	100%	5,255.88

Long-term equity investments are summarized as follows:

Company name: Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd.

Address: No. 506 Gaoxin Avenue, Technology New Town, High-tech Development Zone, Baoji City, Shaanxi Province

Legal representative: Jiang Chaowen

Registered capital: RMB100,000,000

Type: Limited liability company (wholly owned incorporation invested or controlled by non-natural person)

Date of establishment: 10 November 2020

Term of operation: 10 November 2020 to no fixed term

Main scope of operation: General items: production of Class I medical devices; sales of Class I medical devices; sales of Class II medical devices; retail of medical masks; wholesale of medical masks; sale and purchase of Chinese herbal medicines (excluding TCM decoction pieces); internet sales (except for sales of goods requiring licenses); sales of disinfectants (excluding hazardous chemicals); manufacturing of medical packaging materials; manufacturing of mother-and-baby products; production of protective equipment (Class I medical devices); production of chemical products (excluding licensed chemical products); food internet sales (sales of pre-packaged food); Chinese herbs acquisition; Chinese medical healthcare services (non-medical); information technology consulting services; health consultation services (excluding diagnosis and treatment services); property management; leasing of non-residential real estate (except for projects subject to approval according to law, can carry out its own business activities in relation to the operating permit according to law). Licensed items: wholesale of pharmaceutical products; retail of pharmaceutical products; sales of health food; food operation; sales of healthcare products (non-food); sales of formula food for special medical purposes; food operation (sale of bulk food); food internet sales; operation of Class III medical devices; wine operation; pharmaceutical manufacturing; entrusted production of drugs; health food production; manufacturing of formula food for special medical purposes; production of health care products (non-food); production of Class III medical devices; production of Class II medical devices; pharmaceutical internet information services; production of protective equipment (Class II medical devices); production of medical masks; disinfectant production (excluding hazardous chemicals); manufacturing of sanitary products and disposable medical supplies; beverage production; production of wine products; internet information services; catering services; import and export of goods; import and export of pharmaceutical products; food import and export; road cargo transportation (network freight); road cargo transportation (excluding hazardous goods) (for items subject to approval according to law, business activities can only be carried out subject to approval from relevant authorities, and specific business items shall be subject to the approval results).

14. Operating conditions

The audited financial statements of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. for the last three years and as at the valuation benchmark date are as follows:

Financial position (on a consolidated basis)*Unit: RMB ten thousand*

Item	January to September 2022	Year 2021	Year 2020	Year 2019
Total assets	20,887.59	19,996.10	8,733.35	8,066.25
Total liabilities	16,955.75	16,253.99	5,321.07	4,355.14
Net assets	3,931.85	3,742.11	3,412.28	3,711.12
Operating revenue	4,509.33	6,747.31	5,438.19	6,890.42
Total profit	190.45	216.05	-267.78	287.95
Net profit	190.45	216.05	-298.84	281.92

Financial position (parent company)*Unit: RMB ten thousand*

Item	January to September 2022	Year 2021	Year 2020	Year 2019
Total assets	11,918.09	10,795.87	8,733.35	8,066.25
Total liabilities	8,019.35	7,019.54	5,321.07	4,355.14
Net assets	3,898.74	3,776.33	3,412.28	3,711.12
Operating revenue	4,509.33	6,747.31	5,438.19	6,890.42
Total profit	123.13	250.27	-267.78	287.95
Net profit	123.13	250.27	-298.84	281.92

The above financial data are derived from the audit report and financial statements provided by Shaanxi Unisplendour Life Care Pharmaceutical Co. Ltd., of which:

The financial statements for the year 2019 have been audited by Beijing Derun Certified Public Accountants (General Partnership), and a standard unqualified audit report (De Run Hui Shen Zi (2020) No. 10080) has been issued;

The financial statements for the year 2020 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP, which issued the standard unqualified audit report (Xin Kuai Shi Bao Zi (2021) Di No. ZG26634);

The financial statements for the year 2021 and as at the valuation benchmark date have been audited by Jonten Certified Public Accountants LLP, which issued the standard unqualified audit report (Zhong Tian Yun [2022] Shen Zi Di No. 01930).

15. Significant accounting policies

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. implements the latest issued Accounting Standards for Business Enterprises.

16. Tax policies and standards implemented

In accordance with the relevant provisions of the Notice of Shaanxi Provincial Department of Finance and Shaanxi Provincial Tax Bureau of the State Administration of Taxation on Relevant Matters Concerning the Verification and Deduction Policy of Input VAT on Agricultural Products (Shaan Cai Shui [2018] No. 17), Unisplendour Life Care is entitled to the corresponding preferential policy of input tax.

According to the High-tech Enterprise Certificate (Certificate No. GR201961000742) obtained by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. is subject to a preferential corporate income tax rate of 15% from 2019 to 2021. As of the valuation benchmark date, the enterprise is applying for the recognition of high-tech enterprise.

According to Article 1 of the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western Development (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission), from 1 January 2021 to 31 December 2030, the enterprise income tax on an enterprise in an encouraged industry established in the western region shall be paid at a reduced rate of 15%. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd fall into the category of encouraged industrial enterprise of the western region and is subject to corporate income tax at a reduced rate of 15%.

The main tax type and tax rates are as follows:

Taxes	Tax basis	Tax rate
Value-added tax	VAT payable is the balance of output VAT less deductible input tax	13%, 6%
Urban maintenance and construction tax	Payment of turnover taxes	7%
Corporate income tax	Taxable income	15%
Education surcharge	Payment of turnover taxes	3%
Local education surcharge	Payment of turnover taxes	2%

(3) Relationship between the principal and the appraised entity

Tongfang Pharmaceutical Group Co., Ltd., the principal, is assessed to be the controlling shareholder of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the appraised entity.

(4) Overview of other users of the Asset Valuation Report as agreed in the asset valuation engagement contract

None.

2. PURPOSE OF VALUATION

Pursuant to the Written Resolutions of Directors of Waranty Assets Management (HK) Limited, the Written Resolutions of Executive Directors of Kontafarma China Holdings Limited, the Resolutions of the Board of Directors of Tongfang Pharmaceutical Group Co., Ltd., the Resolutions of Shareholders' Meeting of Tongfang Pharmaceutical Group Co., Ltd., the Resolutions of the Third Meeting of the Eleventh Session of the Board of Directors of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., and the Resolutions of the Second Shareholders' Meeting of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. in 2022, the purpose of this valuation is to evaluate the value of partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., provide its market value on the valuation benchmark date, and provide a reference for the value of partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. involved in the proposed transfer of 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. by Tongfang Pharmaceutical Group Co., Ltd..

The economic activities corresponding to this asset valuation has been approved by Shanxi Construction Investment Group Co., Ltd. on 29 November 2022 with the approval document, namely the Approval on the Proposed Public Transfer of 66% Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd., to which Kontafarma China Holdings Limited belongs (Jin Jian Tou Cai Han Zi [2022] No. 444).

The relevant economic activities and approval document have been included in the appendix to this Asset Valuation Report.

3. SUBJECT AND SCOPE OF VALUATION

- (1) According to the purpose of valuation, the subject of this valuation is the value of partial shareholders' equity of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd..
- (2) According to the purpose of valuation and the above-mentioned subject of valuation, the scope of this valuation covers all assets and liabilities of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date.

Audited book value of the total assets of the parent company as at the valuation benchmark date amounted to RMB119,180,900, liabilities of RMB80,193,500 and net assets of RMB38,987,400.

The types and book value composition of assets of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. included in the scope of valuation are as follows:

Unit: RMB ten thousand

Item		Book value
Current assets	1	5,031.02
Non-current assets	2	6,887.07
Long-term equity investments	3	5,255.88
Investment properties	4	131.51
Fixed assets	5	1,064.72
Right-of-use assets	6	209.28
Intangible assets	7	193.45
Long-term deferred expenses	8	<u>32.22</u>
Total assets	9	<u>11,918.09</u>
Current liabilities	10	5,896.91
Non-current liabilities	11	<u>2,122.44</u>
Total liabilities	12	<u>8,019.35</u>
Net assets	13	<u>3,898.74</u>

- The individual assets that have a significant impact on the enterprise value are mainly inventories, long-term equity investments, investment properties, fixed assets, etc.. Details are as follows:

The physical assets within the scope of this valuation are mainly inventories, buildings (structures) and equipment assets, which are stored in the factory area of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., details of which are as follows:

- (1) The book value of inventories amounted to RMB15,820,200, mainly including raw materials, turnover materials in stock, finished goods and work in progress. Among the inventories, there are many varieties and large quantities of raw materials, and the turnover materials in stock are mainly materials for outer packaging such as carton cover, box cover and aluminum foil required for the production of products by enterprises. There are less quantities of inventories of finished goods and work in progress, which are basically produced according to orders and there is basically no overstocking and scrapping situation;

- (2) The book value of long-term equity investments amounted to RMB52,558,800, including one item as follows:

Name of investee	Date of investment	Percentage of shareholding	Book value (ten thousand)
Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd.* (陝西紫光高新 藥業有限公司)	2021/8/30	100%	5,255.88

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. subscribed for a capital contribution of RMB100,000,000, accounting for 100% of the registered capital, with a paid-up amount of RMB52,558,800, accounting for 52.56% of the paid-up capital; According to the articles of association of Shaanxi Unisplendour Hi-Tech Pharmaceutical Co., Ltd., the capital contribution will be made before 30 October 2040.

The main assets of the long-term equity investment are construction in progress and intangible assets — land use rights, among which, the book value of construction in progress amounted to RMB115,237,800, mainly comprising civil engineering and deferred expenses. The book value of intangible assets — land use rights amounted to RMB26,764,900, and the enterprise obtained the State-owned Land Use Rights Certificate (Shaan (2021) Bao Ji City Bu Dong Chan Quan No. 0215183) on 20 January 2021. The Land Use Rights number, land location, date of acquisition, land nature, land use, permitted term of use, development level, area and other land registration conditions of the subject of valuation are detailed in the table below:

No.	Land Use Rights Certificate number	Land location	Date of acquisition	Land nature	Land use	Permitted term of use	Degree of development	Area (m ²)
1	Shaan (2021) Bao Ji City Bu Dong Chan Quan No. 0215183	No. 506 Gaoxin Avenue, Chencang District	2021/1/20	Assignment	Industrial	50	Access to six utility services (water supply, electricity, gas, road transport, telecommunication, and drainage system) and land levelling	69,674.67

- (3) Investment properties are mainly investment properties — land. The initial book value amounted to RMB2,403,200 and the book value amounted to RMB1,315,100, including 2 land use rights, all of which have been granted Real Estate Ownership Certificates; in particular, the owner of the land under the Land Use Rights Certificate number of Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198133 is Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., which is located at No. 78 West Zhongshan Road, Jintai District. The nature of the rights is assignment. The land is for industrial use with a land area of 1,055 sq.m. for a term from 10 May 2001 to 9 May 2051; the land owner under the Land Use Rights Certificate number of Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198134 is Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., which is located at No. 78 West Zhongshan Road, Jintai District. The nature of the rights is capital contribution for consideration (capital injection). The land is for industrial use with a land area of 3,621.12 sq.m. for a term from 31 December 2000 to 30 December 2050; the land is currently leased out and the lessee is Baoji Shopping Mall (Group) Co., Ltd.* (寶雞商場(集團)股份有限公司) with a lease term from 10 December 2007 to 9 December 2027.
- (4) Fixed assets mainly include buildings, structures, machinery and equipment, vehicles, electronic equipment, etc., all of which are owned by Shaanxi Unisplendour. Details are as follows:
- ① The initial book value of the buildings amounted to RMB14,157,900 and the net book value amounted to RMB4,709,800, with a total of 21 items, mainly including, among others, plants, warehouse and office buildings, and staff dormitories, with a total gross floor area of 15,449.72 sq.m., which were completed between January 1984 and September 2016. As of the valuation benchmark date, all buildings were in normal use.
 - ② The initial book value of the structures amounted to RMB1,695,900 and the net book value amounted to RMB371,800, with a total of 14 items, mainly including, among others, pools, pipe networks and roads, which were completed between July 1997 and January 2008. As of the valuation benchmark date, part of the structures for the hemp dust removal project have been demolished, and the remaining structures were in normal use.

- ③ The initial book value of the machinery and equipment amounted to RMB14,169,700 and the net book value amounted to RMB4,896,400, with a total of 229 items, mainly including, among others, special equipment for the production of pills and granules, general equipment and their supporting drying cabinets, air conditioning units and boilers. As of the valuation benchmark date, a total of 2 equipment have been scrapped, 14 equipment had no physical objects, and the remaining assets were in normal use.
- ④ The initial book value of the vehicles amounted to RMB724,000, and the net book value amounted to RMB227,600, with a total of 7 items, including, among others, Jianglingxiang's trucks, Buick's and Baojun's sedans. In particular, as Changan's vehicles have been used for a long period of time and have serious safety hazards, Unisplendour Life Care has applied for scrapping, and the remaining vehicles are generally in normal conditions and can be used normally after normal annual inspection.
- ⑤ The initial book value of the electronic equipment amounted to RMB3,645,900 and the net book value amounted to RMB441,600, with a total of 307 items, mainly including, among others, computers, printers, air conditioners and test instruments. As of the valuation benchmark date, a total of 3 equipment had been scrapped, 10 equipment had no physical objects, and the remaining electronic office equipment were in normal use.

2. The types and quantities of off-balance sheet assets declared by the enterprise;

The off-balance sheet assets declared by the enterprise are fixed assets and intangible assets, which are 84 items in total, including: fixed assets –2 structures, 1 land use right, 76 trademarks, 3 patents, 1 copyright and 1 domain name. Details are as follows:

Structures:

No.	Name	Structure	Date of completion	Length (m)	Width (m)	High (m)	Gross floor area (m^2) or volume (m^3)
1	Greening at plant area		2001/12/31	123.00	17.00		2,091.00
2	Boundary walls at plant area	Bricks	2001/12/31	197.00	124.00	2.00	642.00

Land use rights:

No.	Land Use Rights Certificate number	Land location	Date of acquisition	Land nature	Land use	Permitted term of use	Degree of development	Area (m^2)
1	Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198132	14km away from Baoping Road, Chenchang District	1995/01/01	Assignment	Industrial land	50.00	Access to five utility services (water supply, electricity, road transport, telecommunication, and drainage system) and land levelling	24,308.90

Trademarks:

No.	Name	Graphics	Registration number	Date of registration announcement	International classification
1	Liubiling	六必令	61511434	2022-06-07	Class 3 daily chemicals
2	Liubiling	六必令	61509865	2022-06-07	Class 44 medical and gardening services
3	Liubiling	六必令	61509491	2022-06-07	Class 30 convenience food
4	Liubiling	六必令	61515025	2022-06-07	Class 10 medical devices
5	Da Daxing Tang	达兴堂	60164622	2022-07-28	Class 5 medical supplies
6	Pan Taigong	潘太公	55228071	2021-11-14	Class 5 medical supplies
7	Taigong Dan	太公丹	54942544	2021-10-21	Class 32 beer and beverages

No.	Name	Graphics	Registration number	Date of registration announcement	International classification
8	Taigong Dan	太公丹	54945707	2021-10-21	Class 10 medical devices
9	Pan Xiaoxi	潘小溪	54943620	2021-12-28	Class 5 medical supplies
10	Bao Taigong	宝太公	54942841	2021-10-07	Class 32 beer and beverages
11	Bao Taigong	宝太公	54943635	2021-10-07	33 Wine
12	Pan Xiaoxi	潘小溪	54942844	2021-10-14	33 Wine
13	Bao Taigong	宝太公	54944775	2021-10-07	Class 3 daily chemicals
14	Pan Taigong	潘太公	54945251	2021-10-14	33 Wine
15	Baotai Dan	宝太丹	54945714	2021-10-21	Class 32 beer and beverages
16	Pan Xiaoxi	潘小溪	54946051	2021-10-14	Class 10 medical devices
17	Bao Taigong	宝太公	54942833	2021-10-07	Class 5 medical supplies
18	Pan Taigong	潘太公	54945247	2021-10-14	Class 32 beer and beverages
19	Pan Taigong	潘太公	54944916	2021-10-07	Class 3 daily chemicals
20	Bao Taigong	宝太公	54942538	2021-10-14	Class 10 medical devices
21	Baotai Dan	宝太丹	54941293	2021-10-21	Class 3 daily chemicals
22	Baotai Dan	宝太丹	54942551	2021-10-21	Class 35 advertising and sales
23	Pan Taigong	潘太公	54942846	2021-12-28	Class 35 advertising and sales
24	Baotaigong	宝太公	54945254	2021-10-14	Class 35 advertising and sales
25	Pan Xiaoxi	潘小溪	54942531	2021-10-07	Class 3 daily chemicals
26	Pan Xiaoxi	潘小溪	54943968	2021-12-28	Class 35 advertising and sales
27	Taigong Dan	太公丹	54941294	2021-10-21	Class 3 daily chemicals
28	Baotai Dan	宝太丹	54942072	2021-10-21	33 Wine
29	Pan Xiaoxi	潘小溪	54945246	2021-12-28	Class 32 beer and beverages
30	Pan Taigong	潘太公	54942835	2021-10-07	Class 10 medical devices
31	Taigong Dan	太公丹	54942536	2021-10-21	Class 5 medical supplies
32	Daxing Tang Pharmaceutical	达兴堂药业	54262678	2021-10-07	Class 5 medical supplies

No.	Name	Graphics	Registration number	Date of registration announcement	International classification
33	Bainian Daxing Tang	百年达兴堂	54254904	2021-09-28	Class 5 medical supplies
34	Bainian Daxing Tang	百年达兴堂	54249270	2021-09-28	Class 35 advertising and sales
35	Baoji Dan	寶濟丹	53210131	2021-08-28	Class 30 convenience food
36	Baoji Dan	寶濟丹	53198655	2021-08-28	Class 35 advertising and sales
37	Soudu	搜度	50976659	2021-11-07	Class 30 convenience food
38	Soudu	搜度	50970152	2021-08-21	Class 5 medical supplies
39	Yilu Youwei	医路有为	50985147	2021-10-07	Class 5 medical supplies
40	Xuandu	宣度	50985135	2021-10-28	Class 5 medical supplies
41	Yilu Youwei	医路有为	50974825	2021-10-21	Class 30 convenience food
42	Daxing Tang	 达兴堂	49110427	2021-04-14	Class 10 medical devices
43	Daxing Tang	 达兴堂	49144574	2021-11-21	Class 5 medical supplies
44	Daxing Tang	 达兴堂	49145454	2021-05-07	Class 10 medical devices
45	Daxing Tang	 达兴堂	49116210	2021-09-14	Class 5 medical supplies
46	Daxing Tang	 达兴堂	49121109	2021-08-28	Class 3 daily chemicals
47	Daxing Tang	 达兴堂	49121098	2021-07-07	Class 3 daily chemicals
48	Baoji Dan	宝济丹	43905997	2020-11-07	Class 30 convenience food
49	Ziguang Baoji	紫光宝济	42198603	2020-08-07	Class 5 medical supplies
50	Baoji Dan	宝济丹	42214046	2020-08-07	Class 35 advertising and sales
51	Unisplendour Life Care	紫光辰济	42217698	2020-08-07	Class 35 advertising and sales
52	Daxing Tang	达兴堂	41022347	2020-07-07	Class 5 medical supplies
53	Liubiling	六必令	41021287	2020-07-07	Class 5 medical supplies
54	Liubiling	六必令	41027688	2020-07-07	Class 35 advertising and sales
55	Baoji Dan	寶濟丹	38484205	2020-02-07	Class 5 medical supplies
56	Wu Qinghua	吾清華	38505347	2020-08-28	Class 5 medical supplies
57	Poukun Dan	媵坤丹	38496798	2020-03-07	Class 5 medical supplies

No.	Name	Graphics	Registration number	Date of registration announcement	International classification
58	Xuanhu	玄乎	37711881	2019-12-14	Class 5 medical supplies
59	Xiangkou Zhu	享口珠	37734358	2019-12-14	Class 5 medical supplies
60	Qingxunqing	清宣清	35499809	2019-09-07	Class 5 medical supplies
61	Life Care Dan	辰济丹	24156011	2018-05-14	Class 5 medical supplies
62	Baoji Dan	宝济丹	24157063	2018-05-28	Class 5 medical supplies
63	Qijiang	奇匠	21642226	2017-12-07	Class 5 medical supplies
64	Shangshangcao	上上草	19872079	2017-09-14	Class 5 medical supplies
65	Huangyu Dan	皇愈丹	17103956	2016-08-21	Class 5 medical supplies
66	Apao Sitong	阿宝四通	15464336	2015-11-21	Class 5 medical supplies
67	Wu Qinghua	吾清华	15436795	2015-11-13	Class 5 medical supplies
68	Unisplendour Life Care	紫光辰济	15436862	2017-05-27	Class 5 medical supplies
69	Life Care	辰济	12122045	2014-07-21	Class 35 advertising and sales
70	Yuxiao	愈消	3471497	2004-11-28	Class 5 medical supplies
71	Life Care	辰济	3270031	2004-01-08	Class 5 medical supplies
72	Yuxiao		1443467	2000-09-14	Class 5 medical supplies
73	Aoge	傲哥	1410454	2000-06-21	Class 5 medical supplies
74	Chenji		212068	1984-08-31	Class 5 medical supplies
75	Chenji		146367	1981-04-30	Class 5 medical supplies
76	Chenji		117322	1981-04-30	Class 5 medical supplies

Patents:

No.	Name and content	Date of publication	Patent number	Application type	Protection expiry date
1	A drug combination and preparation method for the treatment of functional dyspepsia	2020-05-12	CN201710482363. 7	Inventions	21 June 2037
2	Oral liquid for the treatment of upper respiratory tract infection	2011-07-13	CN200910022585. 6	Inventions	05 May 2029
3	Oral medication for the treatment of gastric pain	2011-08-10	CN200810150481. 9	Inventions	17 July 2028

Copyrights:

No.	Name of work	First publication date	Completed date	Protection expiry date	Registration number	Registration category
1	Huangyu Dan Outer Packaging	2021-12-01	2021-10-31	2071-12-31	Guo Zuo Deng Zi-2022-F-10115227	Art

Domain name:

No.	Name of website	Address of website	Domain name	Website filing/ license number	Date of audit
1	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	www.cjyy.com.cn	cjyy.com.cn	Shan ICP Bei No. 20006701-1	2020-05-09

Among the above off-balance sheet assets, fixed assets — structures, land use rights, patents, copyrights and domain names are all in normal use. Details of the trademarks in use are as follows:

No.	Name	Graphics	Registration number	Date of registration announcement	International classification
1	Xuandu		50985135	2021-10-28	Class 5 medical supplies
2	Daxing Tang		49144574	2021-11-21	Class 5 medical supplies
3	Daxing Tang		41022347	2020-07-07	Class 5 medical supplies
4	Baoji Dan		38484205	2020-02-07	Class 5 medical supplies
5	Wu Qinghua		38505347	2020-08-28	Class 5 medical supplies
6	Baoji Dan		24157063	2018-05-28	Class 5 medical supplies
7	Huangyu Dan		17103956	2016-08-21	Class 5 medical supplies
8	Apao Sitong		15464336	2015-11-21	Class 5 medical supplies
9	Wu Qinghua		15436795	2015-11-13	Class 5 medical supplies
10	Unisplendour Life Care		15436862	2017-05-27	Class 5 medical supplies
11	Life Care		3270031	2004-01-08	Class 5 medical supplies
12	Aoge		1410454	2000-06-21	Class 5 medical supplies

The remaining trademarks not listed above are not currently used.

Other intangible assets included in the scope of valuation are held by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.; Upon on-site verification by the valuers, other intangible assets are free from pledges, guarantees and other rights. According to the enterprise, such assets are free from geographical restrictions, domain restrictions and legal and regulatory restrictions.

- (3) The subject and scope of valuation engaged are consistent with the subject and scope of valuation involved in the economic activities.
- (4) the types, quantities and book value of the assets concluded in the reports issued by other institutions.
 1. The financial statements as at the benchmark date in this valuation report have been audited by Jonten Certified Public Accountants (Limited Liability Partnership), and a standard unqualified audit report (Zhong Tian Yun [2022] Shen Zi No. 01930) has been issued.

2. For the land included in the scope of valuation of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the results of this valuation are quoted from the Valuation Report on the Land Use Rights, namely the Valuation of Prices of the 3 Pieces of State-owned Construction Land in Baoji City Involved in the Proposed Transfer of 66% Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd. (Jin Zhi Yuan (2022) (Di Gu) Zi No. 085-1) issued by Shanxi Zhiyuan Real Estate and Property Appraisal and Consulting Co., Ltd.* (山西至源不動產房地產評估諮詢有限公司) on 28 December 2022 with 30 September 2022 as the benchmark date. The valuation results are detailed as follows:

Parcel No.	Land owner	Location	Land area (<i>m</i> ²)	Use	Unit price		Total valued price (<i>RMB ten thousand</i>)
					<i>RMB/sq.m.</i>	<i>RMB ten thousand/mu</i>	
1	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	14km away from Baoping Road, Chenchang District	24,308.90	Industrial	218.00	14.53	529.93
2	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	No. 78 Zhongshan West Road, Jintai District	1,055.00	Industrial	965.00	64.33	101.81
3	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	No. 78 Zhongshan West Road, Jintai District	3,621.12	Industrial	959.00	64.87	347.27
Total			<u>28,985.02</u>				<u>979.01</u>

Total land premium: RENMINBI NINE MILLION, SEVEN HUNDRED AND NINETY THOUSAND, ONE HUNDRED ONLY

4. VALUE TYPE

According to the purpose of valuation and specific subject of valuation, the market value type is adopted in this valuation.

Market value refers to the estimated value of the subject of valuation on the valuation benchmark date in an arm's length transaction between a willing buyer and a willing seller acting rationally and without compulsion.

The market value type is adopted because the purpose of valuation, subject of valuation and other basic elements of asset valuation meet the requirements of the definition of market value.

5. VALUATION BENCHMARK DATE

The valuation benchmark date as agreed in the asset valuation engagement contract is 30 September 2022.

The benchmark date was selected mainly because it is close to the expected time of realizing the purpose of valuation, thereby ensuring that the valuation results is effectively served for the purpose of valuation, and minimizing and avoiding the significant impact of the adjustment events after the valuation benchmark date on the valuation results.

The prices adopted in this valuation are the effective standard prices as at the valuation benchmark date.

6. BASIS OF VALUATION

(1) Basis of Economic Activities

1. Written Resolutions of Directors of Waranty Assets Management (HK) Limited (26 October 2022);
2. Written Resolutions of Executive Directors of Kontafarma China Holdings Limited (19 October 2022);
3. Approval on the Proposed Public Transfer of 66% Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd., to which Kontafarma China Holdings Limited belongs (Jin Jian Tou Cai Han Zi [2022] No. 444) (29 November 2022);
4. Resolutions of the Board of Directors of Tongfang Pharmaceutical Group Co., Ltd. (16 August 2022);
5. Resolutions of Shareholders' Meeting of Tongfang Pharmaceutical Group Co., Ltd. (19 October 2022);
6. Resolutions of the Third Meeting of the Eleventh Session of the Board of Directors of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (7 June 2022);
7. Resolutions of the Second Shareholders' Meeting of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. in 2022 (7 June 2022).

(2) Legal and Regulatory Basis

1. Asset Valuation Law of the People's Republic of China (Order No. 46 of the President of the People's Republic of China);
2. Civil Code of the People's Republic of China (adopted at the Third Session of the 13th National People's Congress on May 28, 2020);

3. Company Law of the People's Republic of China (amended at the Sixth Meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
4. Law of the People's Republic of China on State-owned Assets of Enterprises (passed at the Fifth Meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);
5. Land Administration Law of the People's Republic of China (third amendment pursuant to the Decision on Revising the Land Administration Law of the People's Republic of China and the Urban Real Estate Administration Law of the People's Republic of China at the 12th Meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
6. Urban and Rural Planning Law of the People's Republic of China (second amendment pursuant to the Decision on Revising Eight Laws Including the Construction Law of the People's Republic of China at the 10th Meeting of the Standing Committee of the 13th National People's Congress on 23 April 2019);
7. Urban Real Estate Administration Law of the People's Republic of China (Order No. 29 of the President of the People's Republic of China, amended at the 12th Meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
8. Enterprise Income Tax Law of the People's Republic of China (amended by resolution passed at the Seventh Meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);
9. Vehicle Purchase Tax Law of the People's Republic of China (passed at the Seventh Meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);
10. Patent Law of the People's Republic of China (2020 Order No. 55 of the President of the People's Republic of China);
11. Measures for the Administration of State-owned Assets Valuation (Order No. 91 of the State Council);
12. Implementation Rules of the Measures for the Administration of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36);
13. Notice on Forwarding the Opinions of the Ministry of Finance on Reforming the Administrative Management Approach of State-owned Assets Valuation and Strengthening the Supervision and Administration of Assets Valuation (Guo Ban Fa [2001] No. 102);

14. Provisions on Several Issues Concerning the Administration of State-owned Assets Valuation (Order No. 14 of Ministry of Finance);
15. Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of SASAC);
16. Notice on Strengthening the Administration of Valuation of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
17. Notice on the Review of Valuation Report of State-owned Assets of Enterprises (Guo Zi Chan Quan (2009) No. 941);
18. Guidelines for Filing of Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
19. Measures for Supervision and Administration of Transactions of State-owned Assets of Enterprises (Order No. 32 of SASAC and Ministry of Finance);
20. Notice on Several Issues Concerning the Nationwide Implementation of Value-added Tax Reform (Cai Shui [2008] No. 170 of Ministry of Finance and State Taxation Administration);
21. Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax ([2016] No. 36 of Ministry of Finance and State Taxation Administration);
22. Provisional Regulations of the People's Republic of China Concerning the Assignment and Transfer of the State-owned Urban Land Use Rights (19 May 1990);
23. Measures for the Administration of State-owned Assets Valuation (Order No. 91 of the State Council of the People's Republic of China on 16 November 1991, amended under the Decision of the State Council on Revising and Repealing Certain Administrative Regulations on 29 November 2020);
24. Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-added Tax Reform (Announcement [2019] No. 39 of Ministry of Finance, State Taxation Administration and General Administration of Customs);
25. Notice of the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province on the Implementation of the Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Jin Guo Zi [2016] No. 64);

26. Notice of the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province on Relevant Matters Concerning the Administration of Valuation of State-owned Assets of Provincial Enterprises (Jin Guo Zi Chan Quan [2017] No. 73);
27. Measures for the Administration of State-owned Assets of Shanxi State-owned Capital Operation Co., Ltd. (Trial) (Jin Guo Zi Yun Ying Fa [2020] No. 36);
28. Notice on the Measures for the Administration of Valuation of State-owned Assets of Shanxi State-owned Capital Operation Co., Ltd. (Trial) (Jin Guo Zi Chan Shou Fa [2020] No. 37);
29. Other laws, regulations and rules related to valuation.

(3) Basis of Valuation Standards

1. Basic Standards for Asset Valuation (Cai Ping [2017] No. 43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation — Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation — Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation — Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation — Asset Valuation Approaches (Zhong Ping Xie [2019] No. 35);
8. Practicing Standards for Asset Valuation — Application of Experts' Work and Related Reports (Zhong Ping Xie [2017] No. 35);
9. Practicing Standards for Asset Valuation — Enterprise Value (Zhong Ping Xie [2018] No. 38);
10. Practicing Standards for Asset Valuation — Intangible Assets (Zhong Ping Xie [2017] No. 37);
11. Practicing Standards for Asset Valuation — Real Estate (Zhong Ping Xie [2017] No. 38);

12. Practicing Standards for Asset Valuation — Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
13. Notice of the China Appraisal Society on Issuing and Amending the Guiding Opinions on the Valuation of Copyright Assets (Zhong Ping Xie [2017] No. 50);
14. Guidelines for Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
15. Guidelines for Valuation of Intellectual Property Assets (Zhong Ping Xie [2017] No. 44);
16. Guidelines for Business Quality Control of Asset Valuation Institutions (Zhong Ping Xie [2017] No. 46);
17. Guiding Opinions on Value Types in Asset Valuation (Zhong Ping Xie [2017] No. 47);
18. Guiding Opinions on Legal Ownership of Subjects of Asset Valuation (Zhong Ping Xie [2017] No. 48);
19. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
20. Guiding Opinions on Valuation of Trademark Assets (Zhong Ping Xie [2017] No. 51).

(4) Basis of Ownership

1. Real Estate Ownership Certificates;
2. Motor Vehicle Driving Licenses;
3. Trademark Registration Certificates, Patent Certificates and Copyright Registration Certificates;
4. Significant Asset Acquisition Contracts or Certificates;
5. Other contracts, legal documents and other information related to the acquisition and use of assets of the enterprises.

(5) Basis of Pricing

1. Financial Rules for Basic Construction (Order No. 81 of Ministry of Finance);
2. Regulations on Construction Cost Management of Basic Construction Projects (Cai Jian [2016] No. 504);

3. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Order [2012] No. 12 of Ministry of Commerce, NDRC, Ministry of Public Security and Ministry of Environmental Protection);
4. 2022 Mechanical and Electrical Products Quotation Manual (Machinery Industry Information Research Institute);
5. Standards for the Evaluation of Condition of Buildings (promulgated by the former Ministry of Urban and Rural Construction and Environmental Protection);
6. Loan prime rate (LPR) on the valuation benchmark date;
7. Consumption Quota for Construction and Decoration Engineering Projects of Shaanxi Province (2009);
8. Consumption Quota for Installation Engineering Projects of Shaanxi Province (2009);
9. Shaanxi Rules for Quota and Pricing (2009);
10. Guidelines for Asset Valuation Experts No. 8 — Examination and Verification in Asset Valuation;
11. Planning information of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.;
12. Historical operating data provided by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.;
13. Operating budget data of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. for future years;
14. Relevant survey information obtained by the valuers through modern communication methods such as emails, videos and WeChat;
15. Information obtained and collected by the valuers through market research;
16. Other relevant information.

(6) Other References

1. Asset Valuation Standard Terminology 2020 (Zhong Ping Xie [2020] No. 31);
2. Regulations for Urban Land Valuation (GB/T18508–2014);
3. Regulations for Categorizing and Grading of Urban Land (GB/T18507–2014);

4. Code for Real Estate Valuation (GB/T50291–2015);
5. Breakdown of assets declaration provided by Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.;
6. Audit report of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. for the previous years and as at the valuation benchmark date;
7. Legal Opinion on the Proposed External Transfer of Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. by Tongfang Pharmaceutical Group Co., Ltd. (12 October 2022);
8. Manual of Data and Parameters Commonly Used in Asset Valuation (Second Edition) (Beijing Science and Technology Publishing);
9. Relevant data obtained from Wind Information;
10. Relevant data obtained from Hithink RoyalFlush iFinD;
11. Other relevant information.

7. VALUATION METHODOLOGY

(1) Selection of valuation approaches

The valuation of enterprise value shall analyze the appropriateness of the basic asset valuation approaches and select one or more basic asset valuation approaches properly based on the purpose of valuation, subject of valuation, value type, data collection and other relevant conditions.

According to the Asset Valuation Standards of the PRC, three basic valuation approaches, namely the income approach, the market approach and the asset-based approach, can be adopted for the valuation of enterprise value.

The income approach in the valuation of enterprise value refers to the valuation approach that determines the value of the subject of valuation by capitalizing or discounting the expected income. The market approach in the valuation of enterprise value refers to the valuation approach that determines the value of the subject of valuation by comparing the subject of valuation with comparable listed companies or comparable transaction cases. The asset-based approach in the valuation of enterprise value refers to the valuation approach that determines the value of the subject of valuation by reasonably assessing the value of various on-balance sheet assets and liabilities and identifiable off-balance sheet assets and liabilities of the enterprise based on the balance sheet of the appraised enterprise as at the valuation benchmark date.

Based on our understanding of the enterprise nature, asset scale, historical operating conditions, predictability of future income, adequacy of the valuation information obtained of the appraised entity, as well as the research and analysis of the relevant industries and markets on which it is based, Unisplendour Life Care currently

has a relatively comprehensive sales channel with 157 drug brands, and its revenue is relatively stable in the past years, except for the decrease in prices due to the epidemic in 2021. Currently, Unisplendour Life Care is affected by the production capacity limitation in the old factory area, and some drugs are out of stock. The construction of the new factory area commenced in 2021 and is expected to be completed by the end of 2023, upon which, production capacity may reach 40,000,000 boxes per year. After reaching the designed capacity, the current capacity constraints can be effectively resolved. Based on the comprehensive analysis, we believe that Unisplendour Life Care has the expected ability to continue as a going concern and profitability in the future, and is qualified to adopt the income approach for valuation. As the business operations of the parent company and its subsidiaries are basically the same, this valuation is conducted using the consolidated income approach.

As complete financial information and asset management information of the appraised enterprise are available, and the sources of data and information related to the re-acquisition cost of assets are relatively wide, the asset-based approach can be adopted for this valuation.

As the equity transaction market of China's unlisted companies has not been fully developed, there are few comparable cases of similar transactions; among those listed companies, there are few individual companies that can match with the appraised entity in terms of business direction, asset scale, operating scale and other factors, and the adjustment scope will be too large when selecting general cases for adjustment, so that the guidance of the reference cases for the value of this valuation will not be true and the conditions for valuation under the market approach cannot be met. Therefore, the market approach is not applicable to this valuation.

Based on the above analysis, the income approach and the asset-based approach have been adopted for this valuation. By comparing the valuation conclusions derived by the two valuation approaches, the reasons for the differences have been analyzed and the appraised value has been finally determined.

(2) Introduction to asset-based approach

The valuation methods of various assets and liabilities under the asset-based approach are as follows:

1. Current assets valuation

- (1) Monetary funds: The valuers determined the appraised value by monitoring the cash on hand of the reporting unit on the valuation site working day and backsolve it to the valuation benchmark date. For bank deposits, the valuer obtained and checked the bank deposit balance reconciliation statement, and checked it with the bank deposit reconciliation statement, and tested and balanced it with the bank reconciliation statement and bank deposit balance reconciliation statement. After verification, the appraised value of monetary funds denominated in RMB is determined based on the verified book value.

(2) Receivables (accounts receivable and other receivables, etc.)

We obtained the valuation declaration schedule, checked with the general ledger and subsidiary ledger, checked the account books and original vouchers, selected appropriate customers for confirmation on the basis of economic content and aging analysis, and used alternative inspection procedures for customers who could not return the letter, checked the relevant sales invoices, contracts, delivery notes and other original vouchers, and collected relevant supporting materials. The expected credit loss rate is determined through a combination of individual identification and aging analysis, and the evaluation risk loss of the recoverable amount and the future recoverable amount of the receivables is analysed comprehensively for determining the appraised value of the receivables.

After determining the expected credit loss of receivables under different conditions, the appraised value of provision for bad debts of the appraised entity is calculated as zero.

(3) Receivables financing

Receivable financing are electronic bank acceptance notes. The valuers first checked the general ledger, subsidiary ledger, accounting statements and stocktaking valuation breakdown; secondly, the valuers monitored the inventory of notes, verified the relevant contents of the register of notes receivable, and reviewed the contracts, agreements and other important information of large-amount notes receivable. The valuers then understood the acceptance of the notes after the benchmark date, confirmed that the economic behavior involved in the notes was true and the amount was accurate, and confirmed the appraised value with the verified book value.

(4) Prepayments

The valuers reviewed the relevant material procurement contracts or supply agreements and understood the services received and goods received during the period from the valuation benchmark date to the valuation site operation date. No supplier was found bankrupt, revoked or unable to provide goods or services according to the contract. Therefore, it is determined that prepayments are actual payable amounts and amounts obtained for equivalent equity, and the verified book value is used as the appraised value.

(5) Inventories

The scope of valuation covers raw materials, turnover materials in stock, finished products and products in progress, etc..

① Raw materials

The valuers obtained the recent purchase price of raw materials or substitutes through market research, and determined their appraised value by multiplying the verified quantity by the prevailing market purchase price, and taking into account reasonable transportation and miscellaneous fees, losses, acceptance and storage fees and other fees during the purchase of materials. For those which are invalid, deteriorated, damaged, scrapped and unused, the appraised value is determined after deducting the corresponding depreciation amount through analysis and calculation based on the actual situation of on-site inspection.

② Turnover materials in stock

The valuers conducted physical stock-taking on the turnover materials in the warehouse, and reviewed the relevant vouchers and books, and confirmed that the book value of such part of inventories recently purchased on the benchmark date and whose book value is close to the market price on the benchmark date is the verified book value as the appraised value.

③ Finished goods

The appraised value is determined based on the ex-factory selling price (excluding tax) (net of product sales taxes and surcharges, sales expenses, income tax and appropriate net profit).

$$\begin{aligned} \text{Appraised value} = & \text{actual quantity} \times \text{ex-factory selling price} \\ & (\text{excluding tax}) \times (1 - \text{product sales tax and} \\ & \text{surcharge rate} - \text{sales expense rate} - \\ & \text{operating profit margin} \times \text{Income tax} \\ & \text{rate} \times (1 - r) - \text{operating profit margin} \times (1 \\ & - \text{income tax rate}) \times r) \end{aligned}$$

- A. Selling price (excluding tax): The selling price (excluding tax) is determined with reference to the market price before and after the valuation benchmark date;
- B. Product sales tax and surcharges rate mainly includes urban construction tax and education surcharge calculated and paid based on value-added tax;

C. The sales expense rate is calculated based on the ratio of various sales-related expenses to sales income;

D. Operating profit margin = operating profit ÷ operating income;

$$\text{Operating profit} = \text{operating income} - \text{operating costs} - \text{tax and surcharges} - \text{sales expenses} - \text{administrative expenses} - \text{finance expenses}$$

E. The income tax rate is based on the actual tax rate of the enterprise;

F. r is the discount rate for profit realization risk, as there are certain market risks and uncertainties in the future sales of finished products, the risk is determined based on the investigation on the benchmark date and the sales achieved after the benchmark date.

④ Products in progress

As the enterprise produces many types of products and cannot divide the completion rate one by one, the sales income corresponding to its cost part is calculated according to the proportion of the enterprise's recent income and cost. Secondly, by understanding the sales market situation of the relevant products and the market share of the Company, determining the sales situation and the degree of best-selling or slow-moving products, the valuers determine the appraised value of the products after deducting taxes and surcharges, sales expenses, all taxes and certain product sales profits from sales income (excluding tax) according to the investigation and the analysis of the information provided by the enterprise.

$$\text{Appraised value} = \text{sales income (excluding tax)} \times (1 - \text{tax and surcharges rate} - \text{sales expenses rate} - \text{profit margin} \times \text{Income tax rate} \times (1 - r) - \text{margin} \times (1 - \text{income tax rate}) \times r)$$

2. Valuation of long-term equity investments

For long-term equity investments, evidence verification was performed on the reasons for the formation of long-term investments, book value and actual situation, and the investment agreements, shareholders' resolutions, articles of association and relevant accounting records were reviewed to ensure the authenticity and completeness of long-term equity investments.

For the long-term equity investment with control, valuation is performed on the total shareholders' equity of the investee and the appraised value is calculated and determined by multiplying the appraised value of the total shareholders' equity of the investee on the valuation benchmark date by the shareholding percentage of the appraised entity:

$$\text{Appraised value of long-term investment} = \text{appraised value of total shareholders' equity of the investee} \times \text{shareholding percentage}$$

3. Investment real estates

Investment real estates are all land use rights, and investment real estates are measured at fair value. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has commissioned Shanxi Zhiyuan Real Estate Real Estate Appraisal and Consulting Co., Ltd.*(山西至源不動產房地產評估諮詢有限公司) to conduct a valuation on 30 September 2022 as the benchmark date, and issued the Land Valuation Report (Jin Zhi Yuan (2022) (Di Gu) Zi No. 085-1). The valuation methods adopted are the benchmark land price coefficient correction method and the income capitalisation method. The land certificate is for industrial use and the current actual use is for supermarket. This valuation is based on the land valuation results, plus the relevant taxes and fees such as stamp duty and deed tax as the appraised value of investment real estates.

4. Valuation of machinery and equipment

The replacement cost method and market method are mainly adopted in this valuation.

(1) Replacement cost approach

① Determination of full replacement cost

The full replacement cost of machinery and equipment consists of equipment purchase fee, transportation and miscellaneous fee, installation fee, other expenses and capital cost. The appraised entity is a general taxpayer of value-added tax(VAT), and its full replacement cost is calculated to deduct the input VAT arising from the purchase of equipment. The formula is:

$$\begin{aligned} \text{Full replacement cost} = & \text{equipment purchase price} + \\ & \text{transportation and miscellaneous} \\ & \text{fees} + \text{installation and} \\ & \text{commissioning fees} + \text{basic fees} \\ & + \text{preliminary expenses and other} \\ & \text{necessary expenses} + \text{capital cost} - \\ & \text{deductible VAT} \end{aligned}$$

In the formula: The capital cost is the financing cost of the capital occupied by the valuation target during the reasonable construction period. For large and medium-sized equipment, the capital cost is calculated with a reasonable construction period of more than 6 months, taking into account the loan interest rate for the same period as at the valuation benchmark date and the capital invested evenly during the construction period. The formula is:

$$\begin{aligned} \text{Capital cost} = & (\text{equipment purchase price} + \text{transportation and} \\ & \text{miscellaneous fees} + \text{installation fees} + \text{other} \\ & \text{expenses}) \times \text{reasonable construction period} \times \text{loan} \\ & \text{interest rate} \times 1/2 \end{aligned}$$

$$\begin{aligned} \text{Deductible VAT} = & \text{equipment purchase price with tax}/(1 + \text{VAT} \\ & \text{rate}) \times \text{VAT rate} + \text{transportation and} \\ & \text{miscellaneous fees}/(1 + \text{VAT rate}) \times \text{VAT} \\ & \text{rate} + \text{installation and commissioning fees}/(1 \\ & + \text{VAT rate}) \times \text{VAT rate} + (\text{preliminary and} \\ & \text{other expenses} - \text{other non-deductible} \\ & \text{expenses})/(1 + \text{VAT rate}) \times \text{VAT rate} \end{aligned}$$

Electronic equipment of smaller value is not required to be installed (or installed by the seller) and the transportation cost is lower, which is determined with reference to the prevailing market purchase price.

② Physical newness rate

According to the economic useful life of the equipment, the physical newness rate is determined through on-site inspection of the usage of the equipment and comprehensive consideration of factors such as actual technical conditions, technological progress, equipment load and utilization rate, and repair and maintenance conditions.

$$\text{Physical newness rate} = \text{newness rate of useful life} \times 40\% + \text{surveyed newness rate} \times 60\%$$

In the formula: The newness rate of useful life is determined based on the assumption that the equipment has a certain useful life. In the process of use, the value of the equipment is depreciated in proportion to the consumption of the useful life, i.e.:

$$\text{Newness rate of useful life} = (\text{economic useful life} - \text{used life}) / \text{economic life} \times 100\%$$

The surveyed newness rate refers to the depreciation rate of the extent of wear and tear of the equipment determined by the valuers based on their experience after analyzing the information obtained through on-site investigation and checking the historical data of the machinery and equipment, inquiring the operators about the usage of the equipment, accuracy of usage, failure rate, wear and tear, repair and maintenance and working load, etc..

Small-scale equipment such as micro-machinery and instruments are newly recognized as the physical newness rate directly based on the useful life.

③ Determination of Appraised Value

$$\text{Appraised value} = \text{full replacement cost} \times \text{comprehensive newness rate}$$

(2) Market approach

Vehicles:

In the recent second-hand car trading market, the market price of the valuation object is evaluated by selecting the vehicle transaction cases that are within the same supply and demand range and have stronger correlation and substitution. According to the conditions of the valuation object and comparable cases, the factors affecting the market price of second-hand cars such as remaining driving mileage, transaction date factors and trading vehicle conditions are analyzed, compared and revised, in order to evaluate the market price of the valuation object. The calculation formula is as follows:

$$\text{Comparative price} = \text{price of comparable cases} \times \text{correction coefficient of vehicle mileage} \times \text{correction coefficient of vehicle economic useful life} \times \text{correction coefficient of vehicle condition} \times \text{correction coefficient of vehicle transaction date} \times \text{correction coefficient of vehicle transaction}$$

$$\text{Average comparable price} = (\text{Case A} + \text{Case B} + \text{Case C}) \div 3$$

Appraised value under the vehicle market approach = Average comparable price

Electronic equipment: The electronic equipment part within the scope of valuation has been out of service, and there is no new product of that model in the market. The appraised value is determined by using the second-hand recycling market price.

(3) Equipment to be scrapped is assessed based on the realizable value of the equipment.

5. The replacement cost method is mainly adopted for the valuation of buildings (structures).

(1) Determination of full replacement cost

① For large-scale, high-value and important buildings

$$\text{Full replacement cost} = \text{construction and installation cost} + \text{preliminary expenses and other expenses} + \text{capital cost} - \text{deductible VAT}$$

The construction and installation cost is calculated according to the local quota standards and relevant charging documents, and the cost of civil engineering and installation projects are calculated separately.

The preliminary expenses and other expenses are determined according to the relevant local administrative fee regulations.

The capital cost is determined based on the normal construction period of the buildings and the loan interest rate of the same period on the base date.

$$\text{Capital cost} = (\text{total construction and installation cost} + \text{preliminary and other expenses}) \times \text{reasonable construction period} \div 2 \times \text{interest rate}$$

$$\text{Deductible VAT} = \text{construction and installation cost} / (1 + \text{VAT rate}) \times \text{VAT rate} + (\text{preliminary and other expenses} - \text{other non-deductible expenses}) / (1 + \text{VAT rate}) \times \text{VAT rate}$$

- ② For buildings (structures) with small value and simple structure, the unit replacement price is determined using the single-party cost method.

The number of buildings (structures) to be appraised within the scope of valuation is large, the structure type is similar, and the distribution is relatively scattered. The valuers classify the buildings within the scope of valuation systematically based on the structure type, usage function, and distribution area, and divide the same or similar buildings (structures) into groups. The benchmark unilateral cost of each type of building is determined on the basis of its structural type and function. The unit cost reflects the normal construction level, construction quality and general decoration standard of the type of building (structure) as at the valuation benchmark date and the locality. On this basis, the price will be adjusted upward and downward according to the characteristics of the building (structure) (such as different storeys, span, decoration status, extent of construction difficulties, etc.) and the workload of on-site measurement, and the actual single-party cost standard will be finally determined as the basis for calculating the full replacement cost of the building.

The preliminary expenses and other expenses are determined according to the relevant local administrative fee regulations. Based on the loan interest rate on the benchmark date and the normal construction period of such type of buildings, the capital cost is determined and the full replacement price is ultimately calculated.

(2) Determination of newness rate

- ① Adopts the integrated newness rate method for determining the newness rate of high-value and important buildings (structures), and the calculation formula is:

$$\text{Comprehensive newness rate} = \text{newness rate under the useful life approach} \times 40\% + \text{surveyed newness rate} \times 60\%$$

$$\text{In the formula: Newness rate under the useful life approach} = \frac{(\text{durable years} - \text{used years})}{\text{durable years}} \times 100\%$$

Basic survey: The main factors affecting the newness rate of buildings are divided into three parts: structural part (foundation, main body, roof), decoration part (doors and windows, interior and exterior decoration and others), equipment part (water, electricity). Based on the weight of each of the three factors affecting the construction price of the above buildings (structures), the standard scoring value of each factor of buildings in different structural forms is determined, the scoring value of each category is determined according to the actual situation of basic survey, and the surveyed newness rate is determined based on this scoring value.

- ② For buildings (structures) with small unit value and relatively simple structure, the newness rate is mainly determined by the useful life method.

(3) Determination of appraised value

$$\text{Appraised value} = \text{replacement cost} \times \text{comprehensive newness rate}$$

6. Right-of-use assets

We obtained the right-of-use assets declaration schedule, and checked the consistency with the total number of general ledger and the total number of subsidiary ledger; we reviewed the lease contracts and checked the main contents of the lease contracts such as the amount of lease payments, the payment method, the lease term and the disposal of related assets after the end of the lease to understand the composition of the book value of the right-of-use assets. According to the market research, we understood the lease market price of the right-of-use assets in the same region and industry. After verification, the current lease contract signed by the enterprise is basically consistent with the current lease market price, so the price of the right-of-use assets is recognized based on the book value.

7. *Valuation of land use rights*

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has commissioned Shanxi Zhiyuan Real Estate Real Estate Appraisal and Consulting Co., Ltd. (山西至源不動產房地產評估諮詢有限公司) to conduct a valuation on the land included in the scope of valuation with 30 September 2022 as the benchmark date, and issued the Land Valuation Report (Jin Zhi Yuan (2022) (Di Gu) Zi No. 085-1). The valuation of intangible assets — land use rights is based on the land valuation results quoted in this valuation, plus relevant taxes and fees such as stamp duty, deed tax and registration fees.

8. *Valuation of other intangible assets*

Other intangible assets are drug number, trademark, patent, copyright, domain name, etc.

The valuers understood the main functions and characteristics of the above intangible assets, checked the purchase contracts, invoices, payment vouchers and other information of the intangible assets, and found no ownership dispute. On this basis, the valuation is conducted by the following methods:

For technological intangible assets, the income approach is adopted, and the technological intangible assets of Unisplendour Life Care include the drug number and patent rights.

In the process of this intangible asset valuation, most of the technological intangible assets are applied in the same field. The contribution to the enterprise is comprehensive and cannot be separated one by one. Therefore, it is regarded as an intangible asset portfolio for valuation.

For the portfolio intangible assets, the income-sharing method is adopted for this valuation.

The income-sharing approach is an income-based approach, which is a method of calculating the value of an intangible asset by dividing the income generated by the intangible asset that belongs to such type of intangible asset in the future income period and discounting it to the present value at a certain discount rate. The specific formula is as follows:

Appraised value = the sum of the present value of the technological sharing amount from the valuation benchmark date to the future years, namely:

Among them:

P — Intangible assets portfolio appraised value

F_t — Technological sharing in the next tth year;

In which, F_t = income corresponding to intangible assets \times technology sharing rate

- i — Discount rate
- t — Income Calculation Year
- n — Expected income years

For trademarks and copyrights, after communication with the relevant sales personnel of the enterprise, the intangible assets of this type do not generate excessive income for the enterprise, and they have no long-term planning and layout for the future development of the trademarks. In the actual sales process, the current use of trademarks has not formed relevant brand premium. The valuers can obtain relevant data and information sources of relevant costs, and determine the appraised value according to their relevant registration fees.

For other intangible assets such as domain names, the valuers first reviewed and made necessary analysis on the intangible assets, and checked the original documents and relevant agreements, contracts and other information when the intangible assets were incurred to verify item by item. On the basis of understanding its legality, rationality and authenticity, the valuers verified the remaining valid useful life according to its original amount and benefit period, and determined the appraised value by comprehensively considering the cost method based on the remaining useful life and the purpose of this valuation.

9. *Valuation of long-term deferred expenses*

Long-term deferred expenses mainly include renovation costs and maintenance costs of leased properties. The valuers verified the legality, rationality and authenticity of various long-term deferred expenses, understood the expenses and amortization, and determined the appraised value based on the value of the remaining assets or rights after the benchmark date.

10. *Valuation of liabilities*

Current liabilities include short-term borrowings, accounts payable, advances payments, contract liabilities, other payables, employee salary payable, tax payable, non-current liabilities due within one year and other current liabilities; non-current liabilities are lease liabilities and deferred income. Liabilities The valuers verified the book value based on the breakdown of various items and relevant financial information provided by the enterprise, and determined the appraised value based on the liabilities actually assumed by the enterprise. Deferred income is a special subsidy from the government, which is not required to be repaid but is subject to income tax in the future. This appraised value is determined based on the income tax to be paid by the enterprise.

(3) Introduction to income approach valuation

As the operating business of the parent company and its subsidiaries are basically the same, this valuation is conducted using the consolidated income method.

1. Prerequisites for the application of income approach

- (1) The future expected income of the appraised assets can be predicted and measured in monetary terms;
- (2) The risks to the asset owner in obtaining the expected income can also be predicted and measured in currency;
- (3) The expected earning years of the appraised assets can be predicted.

2. Income approach valuation methodology

The income approach in the valuation of enterprise value refers to the valuation method that determines the value of the valuation target by capitalizing or discounting the expected income.

Specific methods commonly used in the income approach include dividend discount method and cash flow discount method. The dividend discount method is a specific method to determine the value of the valuation target by discounting the expected dividends. The discounted cash flow method usually includes the enterprise free cash flow discount model and the equity free cash flow discount model.

3. Basic Valuation Ideas

Based on the due diligence of this valuation and the asset composition and main business characteristics of the enterprise, the basic idea of this valuation is to estimate the value of total shareholders' equity (net assets) based on the historical audited financial statements of the company. The value of the total shareholders' equity of the enterprise is arrived at using the discounted cash flow method (DCF) which is firstly adopted based on the income channel to estimate the value of the operating assets of the enterprise, plus the equity value of the long-term external investment that does not reflect external investment income in the financial statements of the enterprise, and the value of other non-operating and surplus assets on the benchmark date to obtain the overall enterprise value, and deducted the value of interest-bearing debts from the overall enterprise value.

4. Valuation model

(1) Basic model

The basic model of this valuation is:

$$E = B - D$$

In the formula: E: Value of total shareholders' equity of the valuation target

B: Enterprise value of the valuation target

D: Value of interest-bearing debts of the valuation target

Where: $B = P + \sum C_i + Q$

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

Where: P: Value of operating assets of the valuation target

$\sum C_i$: Value of surplus and non-operating net assets of the valuation target as at the benchmark date

Q: Appraised value of long-term equity investment of the valuation target

R_i : Expected income for the year i of the forecast period and the income in this valuation is the free cash flow of the enterprise

R_n : the expected income from year n to perpetual in the future

r: Discount rate

n: Income forecast period

(2) Income Indicators

In this valuation, free cash flow of the enterprise is used as the income indicator of operating assets, which is basically defined as:

$$\begin{aligned} \text{free cash flow of the enterprise} = & \text{net profit after tax} + \text{depreciation} \\ & \text{and amortization} + \text{interest on} \\ & \text{interest-bearing debt after tax} - \\ & \text{capital expenditure} - \text{net} \\ & \text{movement of working capital} \end{aligned}$$

(3) Income period

As Unisplendour Life Care is in normal operation and there will be no factors affecting the going concern in the foreseeable future, the period of income is perpetual.

(4) Discount rate

This valuation adopts the weighted average cost of capital (WACC) model to determine the discount rate r

$$r = r_d \times w_d + r_e \times w_e$$

Where: t : Income tax rate

$$W_d: \text{Debt ratio of the valuation target } w_d = \frac{D}{(E + D)}$$

$$W_e: \text{Equity capital ratio of the valuation target } w_e = \frac{E}{(E + D)}$$

r_e : Cost of equity capital, which is determined based on the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

Where: r_f : risk-free return rate;

r_m : market expected return rate;

ε : characteristic risk adjustment coefficient of the valuation target;

β_e : Expected market risk coefficient of equity capital of the valuation target.

8. VALUATION PROCEDURES

The asset valuation professionals of Beijing Zhongtianhua Asset Appraisal Co., Ltd. (hereinafter referred to as the “Company”) have evaluated the assets and liabilities involved in the valuation target. Key assessment procedures are implemented as follows:

(1) Clarifying previous matters and accepting the appraisal engagement

The Company communicated with the client to clarify the valuation purpose, valuation object and scope, valuation benchmark date and other valuation business basic matters, and reached an agreement on the rights and obligations of all parties and entered into the Asset Valuation Engagement Contract.

(2) Preparation of valuation plan and commencement of on-site investigation

The Company conducted on-site investigation on the valuation target, obtained the information required for the valuation business, understood the current situation of the valuation target, and paid attention to the legal ownership of the valuation target.

1. Preliminary preparation

In view of the business characteristics and asset distribution of this project, the Company set up a corresponding working group according to the needs of the project.

Training was provided to the relevant personnel of the appraised entity on the declaration of asset valuation, so that the financial and asset management personnel of the appraised entity could understand and complete the filling of asset valuation materials, answer questions encountered in the filling of asset valuation materials, and guide the relevant personnel of the appraised entity to conduct preliminary self-inspection on assets and liabilities within the scope of valuation and prepare valuation materials.

2. *Asset Verification*

(1) Guide relevant personnel of the appraised entity to complete and prepare relevant information

We communicated with the relevant financial and asset management personnel of the enterprise, assisted the enterprise in completing the declaration form, filling requirements and list of information provided by the valuation agency, and prepared to collect relevant information.

(2) Preliminary checking the valuation declaration form provided by the appraised entity

After reviewing the relevant information and understanding the detailed conditions of the specific target within the scope of valuation, we carefully verified each declaration form, and initially checked whether there was any incomplete, wrong-filled, unclear project and unreasonable relationship with the hook, and provided feedback to the enterprise for supplement, amendment and improvement.

(3) On-site investigation

Combining the characteristics of the valuation target and the valuation method, we verified the financial and operating information of major assets, and conducted on-site investigations on major assets, such as inquiry, interview, verification, monitoring and survey; interviews were conducted on the enterprise's historical financial position, operating conditions, future development strategies and specific implementation of development plans.

3. *Due Diligence*

To conduct necessary due diligence, the main contents are as follows:

- (1) Understand the history, major shareholders and shareholding ratio, necessary property rights and operation and management structure of the appraised entity; understand the previous valuation and transaction of the appraised entity;
- (2) Understanding the assets, finance, production, operation and management of the appraised entity;

- (3) Understand the historical operating conditions of the appraised entity such as historical annual revenue, costs and expenses, and understand its operation plan and development plan;
- (4) Understand the macro and regional economic factors affecting the production and operation of the appraised entity;
- (5) Understanding the development status and prospects of the industry in which the appraised entity operates;
- (6) Other relevant information.

(3) Collection and collation of valuation information

1. The valuers collected the valuation information according to the specific conditions of the valuation project, including the information provided by the client or other relevant parties involved in the valuation target and scope of valuation, and other information obtained from government departments, various professional institutions and the market. The client or other relevant parties shall be required to confirm the asset valuation declaration form and other material information provided.
2. The valuers checked and verified the data used in the asset valuation activities in accordance with the law.
3. The valuation information collected was analyzed, summarized and sorted as necessary to form the basis for assessment and estimation.

(4) Evaluation and estimation and issuance of valuation report

1. Based on the specific conditions of each type of assets, the valuers selected the corresponding formula and parameters for analysis, calculation and judgment based on the selected valuation methods, and prepared the preliminary Asset Valuation Report after assessing and estimating the valuation conclusion.
2. The report is reviewed in accordance with the company's internal Asset Valuation Report review system and procedures. On the premise of not affecting the independent judgment on the valuation conclusion, we communicated with the client on the relevant content of the Asset Valuation Report, conducted independent analysis on the communication, and determined whether to adjust the Asset Valuation Report. The formal Asset Valuation Report is finally issued.

(5) Sorting and gathering valuation files

We compile asset valuation files and file them in a timely manner in accordance with the company's file management system.

9. VALUATION ASSUMPTIONS

(1) General assumptions

1. *Transaction assumption*

It is assumed that all the valuation subjects are in the process of transaction, and the valuation professionals conduct valuation based on simulated market such as transaction conditions of the appraised assets.

2. *Open market assumption*

Assets can be freely traded in a fully competitive market, the price of which depends on the judgment of independent buyers and sellers on the value of the assets under the supply condition of a certain market.

3. *Going concern assumption*

It is assumed that the operating activities of an operating entity can continue, and the operating activities of such entity will not be suspended or terminated in the foreseeable future.

(2) Special assumptions

1. There are no material changes in the relevant prevailing laws, regulations and policies of the PRC and the macroeconomic situation of the PRC, no material changes in the political, economic and social environment of the regions where the parties to this transaction are located, and no material adverse impact caused by other unpredictable and force majeure factors;
2. It is assumed that the enterprise will continue to operate in light of the actual conditions of the assets as at the valuation benchmark date;
3. It is assumed that the operators of the company are responsible and the management of the company is capable of performing their duties;
4. Unless otherwise stated, it is assumed that the company is in full compliance with all relevant laws and regulations;
5. It is assumed that the business scope and mode of the company are consistent with the current direction on the basis of the existing management mode and management level;
6. It is assumed that the accounting policies to be adopted by the Company in the future are basically consistent with the accounting policies adopted as at the preparation of this report in all material aspects;
7. There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies;

8. There are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the enterprise;
9. It is assumed that the cash inflow and cash outflow of the appraised entity after the valuation benchmark date are evenly distributed;
10. On the assumption that Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. meets the relevant requirements and can continue to apply for the High and New Technology Enterprise Certificate, with the enterprise income tax being charged at the rate of 15%;
11. It is assumed that the high-tech factory of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. will be completed and put into normal production according to the expected completion time;
12. It is assumed that Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. will complete the promotion plan for the three key drugs according to the relevant current sales plan;
13. It is assumed that all production and business licenses required for the production and operation of the appraised entity and its subsidiaries can be obtained in the future years;
14. It is assumed that the research and development capabilities and technological advancement of the appraised entity will remain at the current level after the valuation benchmark date, and the existing core research and development personnel and management team will remain stable during the forecast period.

Users of this report are specifically reminded that, in accordance with the requirements of asset valuation, the above assumptions are determined to be valid on the valuation benchmark date. The analysis, judgments and conclusions in the Asset Valuation Report are subject to the assumptions and qualifications in the Asset Valuation Report. When the above conditions change, the valuation conclusion will generally become invalid, and the asset valuation agency and the asset valuer will not be responsible for the different valuation conclusions derived due to the changes in assumption conditions.

10. VALUATION CONCLUSION

(1) Valuation results under the asset-based approach:

As at the valuation benchmark date of 30 September 2022, the book value of total assets, total liabilities and net assets declared by the appraised entity amounted to RMB119,180,900, RMB80,193,500 and RMB38,987,400, respectively; the appraised value of total assets amounted to RMB180,950,600, representing an increase of RMB61,769,700 or 51.83%; the appraised value of total liabilities amounted to RMB63,780,000, representing an decrease of RMB16,413,500 or 20.47%; the appraised value of total shareholders' equity amounted to RMB117,170,600, representing an increase of RMB78,183,200 or 200.53%. The assessment results are as follows:

Summary of Asset Valuation Results

Unit: RMB ten thousand

Item	Book value	Appraised value	Increment or decrement	Increment rate%
Current assets	5,031.02	5,112.48	81.46	1.62
Non-current assets	6,887.07	12,982.58	6,095.51	88.51
Including: Long-term equity investments	5,255.88	5,281.35	25.47	0.48
Investment properties	131.51	462.78	331.27	251.89
Fixed assets	1,064.72	2,236.61	1,171.89	110.06
Right-of-use assets	209.28	209.28		
Intangible assets	193.45	4,792.56	4,599.11	2,377.46
Long-term deferred expenses	32.22	—	-32.22	-100.00
Total assets	<u>11,918.09</u>	<u>18,095.06</u>	<u>6,176.97</u>	<u>51.83</u>
Current liabilities	5,896.91	5,896.91		
Non-current liabilities	2,122.44	481.09	-1,641.35	-77.33
Total liabilities	<u>8,019.35</u>	<u>6,378.00</u>	<u>-1,641.35</u>	<u>-20.47</u>
Net assets (Owners' equity)	<u>3,898.74</u>	<u>11,717.06</u>	<u>7,818.32</u>	<u>200.53</u>

(2) Valuation results under the income approach:

The book value of the net assets of the appraised entity as at 30 September 2022, the valuation benchmark date, was RMB38,987,400 (on the basis of the parent company). The value of total shareholders' equity as appraised by adopting the income approach was RMB133,077,000, representing an increase of RMB94,089,600 or 241.33%.

(3) Determination of conclusion

After analysis, the valuation result under the income approach is the final valuation conclusion. The specific reasons are as follows:

The income approach is a valuation method to determine the asset value by discounting the future income of the enterprise to the present value. The valuation technique of the income approach better reflects the “expected principle” of assets. Its present value of future income can reflect the contribution of various resources occupied by the enterprise to the enterprise value, so that the valuation process can fully reflect the profitability and growth ability of the enterprise, and can reflect the various tangible and intangible assets and profitability owned by the enterprise in the valuation results, so that the valuation results are more fair; at the same time, from the perspective of investment, the value of an enterprise is determined by the profitability of the enterprise. The return on equity investment is realized by obtaining equity compensation, and the equity compensation is the basis of equity pricing.

Unisplendour Life Care has stronger profitability in the future and is expected to develop well, mainly in the following aspects:

1. Currently, Unisplendour Life Care has 157 drug approval numbers, including 71 national essential drugs, and 6 national exclusive products led by Shugan Kuaiwei Pills* (舒肝快胃丸), Xiaoji Pills* (消積丸), Ginseng Wujia Oral Solution* (洋參五加口服液), Qingxuan Oral Solutions* (清宣口服液), Shouwu Tablets* (首烏片), Amber Huatan Zhenjing Pills* (琥珀化痰鎮驚丸), 4 national patent products, and 2 national traditional Chinese medicine protection varieties, namely Qiangjin Jian'gu Pills* (強筋健骨丸) and Xiaoji Pills. The rich resources of the drug are the key intangible assets for the future development of Unisplendour Life Care.
2. After recent years of development, Unisplendour Life Care has formed a relatively comprehensive sales channel. The sales of the existing sales department and sales team have achieved steady growth. At present, the sales network in the national market has been basically completed by having seven major sales departments, namely the first department of control and sales business, the second department of control and sales business, the third department of control and sales business, the commercial sales business department, the Shaanxi business department, the marketing planning service department and the second department of sales. In recent years, Unisplendour Life Care has comprehensively built a community of strategic interests and continued to expand its cooperation with national well-known brand enterprises to enhance its market competitiveness.

3. The construction of the high-tech production plant commenced in 2021, with a production capacity of 40,000,000 boxes per year. There are 7 large dosage forms of honeyed pills, water pills, concentrated pills, tablets, capsules, oral solutions and syrup, with a full range of products and a very rich product line. Upon completion, it can effectively solve the current problem of limited production capacity and bring a stable source of income for the enterprise.
4. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., formerly known as “Baoji Pharmaceutical Factory”* (寶雞製藥廠), “Shaanxi Chenji Pharmaceutical Co., Ltd.”* (陝西晨雞製藥有限公司) and “Shaanxi Chenji Pharmaceutical Co., Ltd.”* (陝西辰濟藥業有限公司), has a certain market foundation in Baoji.

Based on the above reasons, we are of the view that the valuation results using the income approach are more in line with the value of the valuation target corresponding to this economic activity. Without taking into account the possible discount or premium of part of the equity and the impact of equity liquidity on the appraised value, the final valuation conclusion of 66% equity value of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as at the valuation benchmark date is RMB87,830,800.

11. SPECIAL NOTES

(1) Incomplete or defective ownership and other major information

Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. has not applied for the title certificates for all the buildings declared. The enterprise undertakes that such assets belong to it, and the possible dispute arising from the ownership of such assets is not related to the appraisal agency. For such assets, the area reported by the enterprise is based on on-site measurement. For the area reported by the enterprise, the valuers conducted sampling checks and verification and evaluated the area reported by the enterprise. If the area is inconsistent with the area reported when the enterprise completes the relevant title certificate in the future, the evaluation results shall be adjusted according to the area specified in the title certificate. This valuation does not take into account the expenses related to the subsequent property right handling matters. Details of the buildings without title certificates are as follows:

No.	Name of building	Structure	Year of completion	Gross floor area (m^2)	Book value	
					Original value	net
1	Crushing workshop	Brick concrete	1984/1/1	865.00	435,553.27	17,422.13
2	Raw material warehouse of the branch factory	Brick concrete	1995/6/8	824.00	196,686.96	7,867.48
3	Power distribution room of the branch factory	Brick concrete	1995/6/8	108.20	12,218.54	488.74
4	Sub-school for workers of the branch factory	Brick concrete	1995/6/8	465.00	14,641.18	585.65
5	Office building of the branch factory	Brick concrete	1995/6/8	1,940.40	495,556.54	19,822.26
6	Bath Room of the branch factory	Brick concrete	2001/10/10	112.50	66,954.39	10,361.66
7	Warehouse of the branch factory	Brick concrete	2001/10/12	787.62	589,708.68	103,401.82
8	Water pump room	Brick concrete	2001/11/15	30.00	61,891.12	10,703.39
9	Construction of toilets for the branch factory	Brick concrete	2002/1/6	100.00	108,029.06	20,789.88
10	Solid and pill workshop of the new factory	Brick concrete	2002/12/13	2,280.00	5,403,914.54	1,256,572.30
11	Staff quarters	Brick concrete	2003/4/24	2,912.00	310,296.41	60,570.00
12	Outsourced workshops	Brick concrete	2003/11/24	492.00	378,823.23	100,666.91
13	Medicinal powder washing tank turnover room	Brick concrete	2004/2/1	216.00	150,000.00	41,735.00

No.	Name of building	Structure	Year of completion	Gross floor area (m^2)	Book value	
					Original value	net
14	Finished goods warehouse of the branch factory	Brick concrete	2004/7/22	530.00	195,000.00	58,188.00
15	Flow agent workshop and biotest room	Brick concrete	2005/4/18	180.00	123,220.00	37,952.48
16	Refinery workshop	Brick concrete	2008/3/21	400.00	371,684.52	171,163.18
17	Oral solutions workshop	Framework	2010/12/28	570.00	1,189,942.71	661,751.14
18	Staff canteen	Framework	2011/12/29	810.00	1,672,094.59	994,595.88
19	Boiler room	Brick concrete	2016/9/28	233.00	101,827.93	21,997.68
20	Initial treatment workshop	Brick concrete	2016/9/28	1,344.00	1,991,377.12	895,305.16
21	Sewage treatment station	Brick concrete	2016/9/28	250.00	288,452.24	217,867.67
Total				<u>15,449.72</u>	<u>14,157,873.03</u>	<u>4,709,808.41</u>

(2) Other key information not provided by the client

Not discovered.

(3) Uncertainties such as outstanding matters and legal disputes

The current outstanding matters and legal disputes of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. are as follows:

The case of the dispute over the sale and purchase contract between Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, and Shaanxi Zhongyou Health Pharmaceutical Co., Ltd., Shaanxi Zhongyou Health Tonghetang Pharmaceutical Chain Co., Ltd. and Gansu Zhongyou Health Pharmaceutical Co., Ltd., the defendants. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. brought a lawsuit on 26 September 2022. On 28 September 2022, the People's Court of Jintai District, Baoji City accepted the case, and the defendants filed an objection to jurisdiction according to the purchase and sale agreement. On 23 November 2022, the People's Court of Jintai District, Baoji City handed over the case to the People's Court of Weiyang, Xi'an City, pending further progress. The claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, are as follows: "1. Requesting the Court to order the three defendants to jointly pay the plaintiff the principal of the goods of RMB168,640.5 and, on the basis of the principal of the loans owed since 1 October 2021, overdue liquidated damages calculated at 1.5 times of the loan prime rate for the same period published by the national inter-bank lending center. As of the date of the lawsuit filed by the plaintiff, the total liquidated damages amounted to RMB9,326.52. The above amounted to RMB177,967.02 in aggregate; 2. The litigation costs and preservation fees of the case shall be borne by the defendants." The content of the above legal proceedings corresponding to the scope of this valuation

is accounts receivable — Shaanxi Zhongyou Health Tonghetang Pharmaceutical Chain Co., Ltd. — Shi Jianhui No.2 Chain Store; As verified by the valuers, there is a difference of RMB1,546.48 between the claims of Unisplendour Life Care and the book value receivable; The reason for the difference is that part of the return of goods by the counterparty has been charged off, which has not been charged off by Unisplendour Life Care; The enterprise issued a statement that upon the conclusion of the dispute, the difference shall be borne by Shi Jianhui, the operator, and Tian Nailin, the manager of the second department. This valuation does not take into account the impact of this matter on the appraised value, and the report users are advised to pay attention.

(4) Important reference and use of expert work and relevant reports

1. The financial statements as at the benchmark date in this valuation report have been audited by Jonten Certified Public Accountants (Special General Partnership), and a standard unqualified audit report (Zhong Tian Yun [2022] Shen Zi No. 01930) has been issued.
2. For the land included in the scope of valuation of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the valuation results are quoted from the Valuation on the Land Use Right Price of the 3 State-owned Construction Land in Baoji City Involved in the Proposed Transfer of 66% Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. held by Tongfang Pharmaceutical Group Co., Ltd. (Jin Zhi Yuan (2022) (Di Gu) Zi No. 085-1) issued by Shanxi Zhiyuan Real Estate and Real Estate Appraisal and Consulting Co., Ltd. on 28 December 2022 with 30 September 2022 as the benchmark date. The specific valuation results are as follows:

Land parcel No.	Land right owner	Location	Land area (<i>m</i> ²)	Usage	Unit price		Assessed total price (<i>RMB ten thousand</i>)
					<i>RMB/sq.m.</i>	<i>RMB ten thousand/mu</i>	
1	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	14km away from Baoping Road, Chencang District	24,308.90	Industrial	218.00	14.53	529.93
2	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	No.78, Zhongshan West Road, Jintai District	1,055.00	Industrial	965.00	64.33	101.81
3	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.	No.78, Zhongshan West Road, Jintai District	3,621.12	Industrial	959.00	64.87	347.27
Total			<u>28,985.02</u>				<u>979.01</u>

Total land premium: RENMINBI NINE MILLION, SEVEN HUNDRED AND NINETY THOUSAND, ONE HUNDRED

(5) Significant subsequent events

The case of the dispute over the sale and purchase contract between Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, and Li Jiaying and Chongqing Jiade Pharmaceutical Co., Ltd., the defendants, was accepted by the People's Court of Jintai District, Baoji City, Shaanxi Province on 18 January 2021. On 10 April 2021, the first instance judgment was issued, dismissing the claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. as the plaintiff. Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. appealed to the Intermediate People's Court of Baoji City, and the Intermediate People's Court of Baoji City ruled to return the retrial. On 30 June 2022, the People's Court of Jintai District has concluded the (2022) Shaan 0303 Min Chu 271 Civil Judgment, and the contents of the judgment are as follows: "1. Li Jiaying, the defendant, returned a rebate amount of RMB152,611.2 to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff. 2. The appeal of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. against Chongqing Jiade Pharmaceutical Co., Ltd. was rejected. 3. Other claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. were rejected. Li Jiaying filed an appeal to the Intermediate People's Court of Baoji City, Shaanxi Province, and the contents of which are as follows: "1. To revoke (2022) Shaan 0303 Min Chu No. 271 Civil Judgment, and to amend and reject the appeal of Unisplendour Life Care Pharmaceutical Co., Ltd., the appellee, against the appellant in accordance with the law. 2. The litigation costs of the first and second trials of this case shall be borne by Unisplendour Life Care Pharmaceutical Co., Ltd., the appellee." The Intermediate People's Court of Baoji City, Shaanxi Province issued (2022) Shaan 03 Min Zhong No. 2379 Civil Judgement on 8 December 2022, the contents of which are as follows: "1. To maintain the second item of (2022) Shaan 0303 Min Chu No. 271 Civil Judgment issued by the People's Court of Jintai District, Baoji City, that is, "the appeal of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., the plaintiff, against Chongqing Jiade Pharmaceutical Co., Ltd. was rejected"; 2. To revoke the first item and the third item of (2022) Shaan 0303 Min Chu No. 271 Civil Judgment of the People's Court of Jintai District, Baoji City; 3. Li Jiaying shall return RMB61,044.48 to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. within 10 days from the effective date of this judgement; 4. Other claims of Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. were rejected." This judgment is final. According to the judgment, Li Jiaying caused direct loss to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. due to malicious tampering during the agency sales period and after the expiration of the term. As the final judgment was handed down after the valuation benchmark date, the enterprise did not conduct accounting treatment and accounting for the matter as of the valuation benchmark date of 30 September 2022. Therefore, this valuation does not take into account the impact of this matter on the appraised value, and the report users are advised to pay attention.

(6) Relevant circumstances under which the valuation procedures are restricted, remedial measures taken by the valuation institution and the impact on the valuation conclusion

Not discovered.

(7) Other matters to be explained

1. Among the investment properties declared by the enterprise, the Land Lease Contracts for land parcels Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198133 and Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198134 stipulate that when the lessee does not renew the lease of the premises after the expiration of the lease term, the property rights of the attachments on the leased premises shall belong to the lessee, and the disposal rights of the attachments shall belong to the lessee. The report user shall pay attention to the problem of inconsistency between the land owner and the owner of the structures on the land.
2. Among the investment properties declared by the enterprise, Baoji Shopping Mall (Group) Co., Ltd.* (寶雞商場(集團)股份有限公司), the lessee, leased the land parcels Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198133 and Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198134. The users shall pay attention to the legal risks that may arise from illegal change of use when constructing supermarkets on the land. Based on the principle of legality, the land use stated in the land certificate, i.e. industrial land, is adopted for the valuation, without considering the impact on the valuation conclusion caused by the change of land use, and the users of the report are advised to pay attention.
3. The principal and other relevant parties are responsible for the authenticity, completeness and legality of the information provided by them within the scope of this valuation and the data, statements and relevant information used by the appraised entity. The relevant title documents and relevant information involved in the Asset Valuation Report are provided by the appraised entity, and the principal and the appraised entity shall be responsible for the authenticity, legality and completeness of such documents.
4. In this valuation, we have made reference to and adopted the historical financial statements of the appraised entity as at the valuation benchmark date, as well as the financial reports and transaction data of comparable companies we found in the database of wind and iFind. We have relied to a considerable extent on the above financial statement data and transaction data, and have assumed that the above financial statement data and transaction data are true and reliable. Our estimates rely on the data in these financial statements, which do not represent any assurance on the correctness and completeness of such financial information.
5. During the validity period after the valuation benchmark date, if the quantity and pricing standard of assets change, the following principles shall be followed:
 - (1) When the quantity of assets changes, the amount of assets shall be adjusted according to the original valuation method;

- (2) When the asset price standard changes and has a significant impact on the asset valuation results, the client shall engage a qualified asset valuation agency to re-determine the appraised value in a timely manner;
 - (3) For changes in the quantity and price standards of assets after the valuation benchmark date, the client shall give full consideration to the actual price of the assets and make corresponding adjustments.
6. The valuation conclusion does not take into account the possible premium or discount due to control or lack of control, nor the impact of liquidity on the value of the valuation target.
7. We have obtained the profit forecast of Unisplendour Life Care, which is one of the main bases for income approach in this Asset Valuation Report. We have conducted necessary investigation, analysis and judgment on the profit forecast and obtained the relevant data of the profit forecast of Unisplendour Life Care. Our utilization of the profit forecast of Unisplendour Life Care is not a guarantee of the future profitability of Unisplendour Life Care.
8. In this valuation, the asset valuer did not conduct technical testing on the technical parameters and performance of various equipment as at the valuation benchmark date., which are arrived at by the asset valuer through on-site investigation on the assumption that the relevant technical information and operation records provided by the appraised entity are true and valid.
9. In this valuation, the asset valuer did not carry out technical inspection on the concealed works and internal structures of various buildings (structures), which are not observable by the eye. The valuation conclusion is based on the assumption that the engineering technology information provided by the appraised entity is true and valid, and without the help of any testing instruments, the judgment is made through on-site inspection.
10. Among the intangible assets declared by the enterprise, the land for Shaan (2020) Bao Ji City Bu Dong Chan Quan No. 0198132 was acquired in 1995, which is relatively long time ago. After the acquisition, the enterprise shall amortize the land in a lump sum according to the accounting standards and other relevant policies of the current year. Therefore, the book value of the land is 0, and the relevant land grant contract cannot be provided. The valuers have verified the contents contained in the relevant certificates of the land certificate. The ownership of the land parcel belongs to Unisplendour Life Care. The valuers have judged that the matter has no impact on the appraised value.

Users of the valuation report are advised to pay attention to special issues.

12. RESTRICTION ON THE USE OF ASSET VALUATION REPORT

1. The conclusion of this report is valid only for the purpose and use specified in this Asset Valuation Report. At the same time, this valuation conclusion reflects the prevailing fair market price of the valuation target determined in accordance with the principle of open market for the purpose of this valuation, without taking into account the impact on the asset price caused by the possible mortgage and guarantee in the future and the additional price that may be paid by special counterparties, or the impact on the asset price caused by the changes in national macroeconomic policies and natural forces and other force majeure. In the event of any change in the aforesaid conditions and the going concern principle adopted in the valuation, the valuation conclusion will generally become invalid. The valuation agency and its valuation professionals do not assume the relevant legal liabilities for the lapse of the valuation results due to the changes in these conditions.
2. The prerequisite for the conclusion of this report is that this economic behavior complies with the relevant provisions of national laws and regulations and is approved by the relevant authorities. This Asset Valuation Report shall be signed by the asset valuer, sealed by the appraisal institution and filed with Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) before its official use.
3. If the client or other users of the Asset Valuation Report fail to use the Asset Valuation Report in accordance with the laws, administrative regulations and the scope of use specified in the Asset Valuation Report, the asset valuation institution and its asset valuer do not assume any liabilities.
4. Except for the client, other users of the Asset Valuation Report as agreed in the asset valuation engagement contract and users of the Asset Valuation Report as stipulated by laws and administrative regulations, no other institution or individual shall be a user of the Asset Valuation Report.
5. Users of the Asset Valuation Report should correctly understand the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation target, and the valuation conclusion shall not be deemed as a guarantee for the realizable price of the valuation target.
6. The validity period of this Asset Valuation Report conclusion is one year, commencing from the valuation benchmark date of 30 September 2022 to 29 September 2023. After one year, asset valuation is required to be conducted again.

* For identification purpose only

13. DATE OF ASSET VALUATION REPORT

The conclusion of this Asset Valuation Report was formally submitted on 6 January 2023.

(The following pages are with signatures and seals!)

Legal representative of the asset appraisal institution _____

Asset appraiser _____

Asset appraiser _____

Beijing Zhongtianhua Asset Appraisal Co., Ltd.

6 January 2023

ANNEX TO THE ASSET VALUATION REPORT

1. Business License of Beijing Zhongtianhua Asset Appraisal Co., Ltd. (photocopy)
2. Registration Card for Professional Qualification Certificate of Asset Appraiser (Appraisal Institution Personnel) (photocopy)
3. Registration Card for Professional Qualification Certificate of Asset Appraiser (Appraisal Institution Personnel) (photocopy)



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE INTEREST IN SHAANXI UNISPLENDOUR LIFE CARE PHARMACEUTICAL CO., LIMITED

To the Board of Directors of Kontafarma China Holdings Limited

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 6 January 2023 prepared by Beijing Zhongtianhua Asset Appraisal Co. Ltd. in respect of the market value of the entire equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (“**Shaanxi Unisplendour**”) as at 30 September 2022 is based. The Valuation is set out in Appendix III of the circular of Kontafarma China Holdings Limited (the “**Company**”) dated 23 June 2023 in connection with the disposal of 66% equity interest in Shaanxi Unisplendour by a subsidiary of the Company (the “**Circular**”). The Valuation is prepared based on the discounted future estimated cash flows and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions adopted by the Directors as set out under heading “9. Valuation Assumptions” in Appendix III of the Circular on which the discounted future estimated cash flows are based (the “**Bases and Assumptions**”). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This reasonable assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Bases and Assumptions. Within the scope of our work, we performed procedures on, amongst others, the arithmetical accuracy and the compilation of the discounted future estimated cash flows in accordance with the Bases and Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The discounted future estimated cash flows on which the Valuation is based do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions which cannot be confirmed and verified in the same way as past results and which are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Shaanxi Unisplendour or an expression of an audit or review opinion on the Valuation.

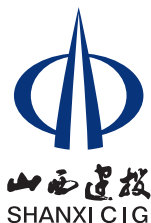
Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Bases and Assumptions.

BDO Limited*Certified Public Accountants*

Hong Kong

Date: 23 June 2023



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)

23 June 2023

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs/Madams,

Re: Circular — Major Transaction in relation to Disposal of an Indirect Non-Wholly Owned Subsidiary

We, Kontafarma China Holdings Limited (the “**Company**”) (stock code: 1312), refer to the circular of the Company dated 23 June 2023 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We refer to the Valuation conducted by Beijing Zhongtianhua Asset Appraisal Co., Ltd.* (北京中天華資產評估有限責任公司) (the “**Valuer**”), an independent valuer. The Valuation adopted, among other things, an income approach which is based on the discounted future estimated cash flows and is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation for which the Valuer is responsible.

Pursuant to Rule 14.62 of the Listing Rules, we have also engaged BDO Limited, acting as the Company’s reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted future estimated cash flows (which does not involve the adoption of accounting policies), and considered the report from BDO Limited which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix IV to the Circular.

On the basis of the above, we confirm that the Profit Forecast used in the Valuation has been made after due and careful enquiry by us.

Yours faithfully,
On behalf of the Board

Kontafarma China Holdings Limited
Bai Pingyan
Chairman

* For identification purposes only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, 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 this 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 this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

Interests in associated corporation:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest in associated corporation
Jiang Chaowen ^(Note)	SPF (Beijing) Biotechnology Co., Ltd.* (斯貝福(北京) 生物技術有限公司) (“SPF”)	Beneficial owner	5.47%

Note:

As at the Latest Practicable Date, Mr. Jiang Chaowen owned 5.47% interests in the registered capital of SPF, a direct non-wholly owned subsidiary of Shenzhen Warranty.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in the Shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders who have an interest and/or short position which is disclosable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholders	Capacity	Long position	
		Number of Shares interested	Approximate percentage of issued Shares
China Health	Beneficial owner	3,172,778,000 ⁽¹⁾	56.77%
Waranty Hong Kong	Interest in a controlled corporation	3,172,778,000 ⁽²⁾	56.77%
Shenzhen Waranty	Interest in a controlled corporation	3,172,778,000 ⁽³⁾	56.77%
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)) (“Sanjin Guotou”)	Interest in a controlled corporation	3,172,778,000 ⁽⁴⁾	56.77%
Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) (“Shanxi Construction”)	Interest in a controlled corporation	3,172,778,000 ⁽⁵⁾	56.77%

Name of substantial Shareholders	Capacity	Long position	
		Number of Shares interested	Approximate percentage of issued Shares
Shanxi Province Expressway Group Limited Liability Company* (山西省高速公路集團有限責任公司) (“ Shanxi Expressway ”)	Interest in a controlled corporation	3,172,778,000 ⁽⁶⁾	56.77%
Shanxi Transportation Holdings Group Co., Ltd.* (山西交通控股集團有限公司) (“ Shanxi Transportation ”)	Interest in a controlled corporation	3,172,778,000 ⁽⁷⁾	56.77%
Shanxi State-owned Capital Operation Co., Ltd.* (山西省國有資本運營有限公司) (“ State-owned Capital Operation Co. ”)	Interest in a controlled corporation	3,172,778,000 ⁽⁸⁾	56.77%
State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government (“ Shanxi Government Commission ”)	Interest in a controlled corporation	3,172,778,000 ⁽⁹⁾	56.77%
THTF Energy-Saving Holdings Limited (“ THTF Energy-Saving ”)	Beneficial owner	513,994,000 ⁽¹⁰⁾	9.20%
Resuccess Investments Limited (“ Resuccess ”)	Interest in a controlled corporation	513,994,000 ⁽¹¹⁾	9.20%
Tsinghua Tongfang Co., Ltd.* (同方股份有限公司) (“ Tsinghua Tongfang ”)	Interest in a controlled corporation	513,994,000 ⁽¹²⁾	9.20%

Notes:

1. The figure refers to the legal and beneficial interests of China Health in 3,172,778,000 Shares.
2. Waranty Hong Kong 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 figure refers to the same interests of China Health in the Shares under the SFO.
3. Shenzhen Waranty, through its wholly owned subsidiary, namely Waranty Hong Kong, owned 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 figure refers to the same interests of China Health in the Shares under the SFO.
4. Sanjin Guotou owns 45.50% interests in the registered capital of Shenzhen Waranty and is therefore deemed to have an interest in the Shares in which Shenzhen Waranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.

5. Shanxi Construction owns 46.38% interests in the registered capital of Sanjin Guotou and 46.40% interests in the registered capital of Shenzhen Warranty respectively and is therefore deemed to have, including via Sanjin Guotou, an interest in the Shares in which Shenzhen Warranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
6. Shanxi Expressway owns 46.38% interests in the registered capital of Sanji Guotou and is therefore deemed to have an interest in the Shares in which Sanjin Guotou is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
7. Shanxi Transportation owns 100% interests in the registered capital of Shanxi Expressway and is therefore deemed to have an interest in the Shares in which Shanxi Expressway is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
8. 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, via Shanxi Construction and Shanxi Transportation, an interest in the Shares in which Shenzhen Warranty is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
9. Shanxi Government Commission owns 100% interests in the registered capital of State-owned Capital Operation Co. and is therefore deemed to have an interest in the Shares in which State-owned Capital Operation Co. is interested. The figure refers to the same interests of China Health in the Shares under the SFO.
10. The figure refers to the legal and beneficial interests of THTF Energy-Saving in 513,994,000 Shares.
11. Resuccess owned 100% interests in the issued share capital of THTF Energy-Saving and is therefore deemed to have an interest in the Shares in which THTF Energy-Saving is interested. The figure refers to the same interests of THTF Energy-Saving in the Shares under the SFO.
12. Tsinghua Tongfang, through its wholly-owned subsidiary, namely Resuccess, owns 100% interests in the issued share capital of THTF Energy-Saving and is therefore deemed to have an interest in the Shares in which THTF Energy-Saving is interested. The figure refers to the same interests of THTF Energy-Saving in the Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, Mr. Bai Pingyan, an executive Director, was also the chairman of Shenzhen Warranty and an employee of Shanxi Construction, Mr. Chai Hongjie, an executive Director, was also a director of Shenzhen Warranty, and Mr. Huang Yu, an executive Director, was also a director of Warranty Hong Kong, each of which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date:

Mr. Jiang Chaowen holds directorship in and has interests in the share capital of Chongqing Jewelland Pharmaceutical Co., Ltd.* (重慶健能醫藥開發有限公司), which principally engages in the wholesale of chemical Active Pharmaceutical Ingredients and its preparations, antibiotic Active Pharmaceutical Ingredients and its preparations, biochemical drugs and proprietary Chinese medicines. In addition, he holds directorship in Si Chuan Jewelland Pharmaceutical Co., Ltd.* (四川健能製藥有限公司), which principally engages in the production and sales of tablets, medical technology development, and technology transfer and consultations. The business of the abovementioned companies is likely to compete with the pharmaceutical business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (not being the independent non-executive directors) or their respective close associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment (other than statutory compensation).

5. LITIGATION

- (1) On 13 August 2019, the Company was served the Writ filed by Mr. PJW and Active Gains as the plaintiffs against the Company and Fester Global, a wholly-owned subsidiary of the Company, as the defendants under High Court Action No. 1469/2019 (the “**2019 Legal Proceedings**”) in the High Court of Hong Kong.

The Plaintiff’s allegations in the Writ are related to the acquisition by Fester Global of 51% equity interest in True Cayman pursuant to the SPA dated 6 May 2017 made between Fester Global (as purchaser), the Company (as purchaser’s guarantor), Active Gains (being an entity controlled by Mr. PJW as vendor), and Mr. PJW (as vendor’s warrantor). Details of the said acquisition were disclosed in the announcements and circular of the Company respectively dated 7 May 2017, 29 May 2017 and 28 July 2017 (collectively, the “**Documents**”). The Plaintiffs claim for, among others, the following:

- (i) payment of balance of the purchase price, being US\$3,500,000;
- (ii) a declaration that the profit guarantee given by Active Gains and Mr. PJW in favour of the Company and Fester Global in respect of True Cayman and its subsidiaries (the “**True Cayman Group**”) for the financial year ended 31 December 2017 had been met; and
- (iii) a declaration that the profit guarantee given by Active Gains and Mr. PJW in favour of the Company and Fester Global in respect of the True Cayman Group for the financial year ended 31 December 2018 and 2019 ceases to have effect and that Active Gain be entitled to exercise the put option so as to sell certain shareholding in True Cayman to Fester Global according to the terms of the SPA as disclosed in the Documents.

The Company has filed the Defence to the High Court of Hong Kong on 12 December 2019 and has been vigorously defending and opposing the Plaintiff’s claims. In January 2021, the Group has enforced its right under a share charge agreement since Active Gains has failed to compensate the Group in respect of the profit guarantee shortfalls for the financial years ended 31 December 2017 and 2018 under the SPA. 10,000 shares in True Cayman charged in favour of Fester Global were transferred to Fester Global as partial settlement of the amounts due and payable under the profit guarantee arrangement. Subsequently, the Group issued a Counterclaim against the Plaintiffs to recover the balance of the profit guarantee shortfalls for the financial years ended 31 December 2017 and 2018, and in response, the Plaintiffs filed their Amended Reply, Defence to Counterclaim and Counterclaim to Counterclaim. On 4 January 2022, the Company and Fester Global filed (a) a Re-Amended Defence and Counterclaim and (b) a Rejoinder to Amended Reply and Reply to Defence to Counterclaim and Defence to Counterclaim to Counterclaim.

The 2019 Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed as at the Latest Practicable Date.

- (2) In March 2021, Chongqing Kangle, an indirect non-wholly owned subsidiary of the Company, received a court summons* (傳票) attaching a statement of civil claim* (民事起訴狀) (the “**Shanghai Legal Proceedings**”) from the Shanghai Xuhui District People’s Court* (上海市徐匯區人民法院) (“**Xuhui District Court**”) in relation to the claim made by Shanghai Haixin against Chongqing Kangle as defendant for the alleged non-performance of a cooperation agreement on project for Hydroxychloroquine Sulfate* (硫酸羥氯喹項目合作協議) signed on 19 May 2011 between Chongqing Kangle and Shanghai Haixin. Shanghai Haixin sought for court order to terminate the Cooperation Agreement, and claimed against Chongqing Kangle for the damages in the amount of RMB49,000,000 and the costs incurred in connection with the Shanghai Legal Proceedings. The Company had engaged lawyers and intended to vigorously defend Shanghai Haixin’s claims. On 25 November 2021, the Xuhui District Court added Xi’an Haixin Medical Production Co., Ltd.* (西安海欣製藥有限公司), an Independent Third Party as an additional party plaintiff to the Shanghai Legal Proceedings.

Pursuant to a civil mediation agreement* (民事調解書) (the “**Civil Mediation Agreement**”) issued by the Xuhui District Court on 24 June 2022, Chongqing Kangle, Shanghai Haixin and Xi’an Haixin have reached settlement in respect of the Shanghai Legal Proceedings through mediation conducted by the Xuhui District Court. According to the Civil Mediation Agreement, it is agreed that (i) the Shanghai Legal Proceedings shall be settled; (ii) Chongqing Kangle shall sell the active pharmaceutical ingredients Hydroxychloroquine Sulfate to Xi’an Haixin, and Xi’an Haixin shall make payment to Chongqing Kangle for such products provided; and (iii) Shanghai Haixin and Xi’an Haixin shall dismiss all the claims against Chongqing Kangle under the Shanghai Legal Proceedings, including the discharge of all freezing, seizure and attachment of assets under the Shanghai Legal Proceedings, and shall waive any future claim arising out of the Cooperation Agreement.

During the year ended 31 December 2022, the parties have complied with the terms of the Civil Mediation Agreement, and all freezing, seizure and attachment of assets of Chongqing Kangle under the Shanghai Legal Proceedings have been discharged. Goods were transferred on an arm’s length basis. Management considered the Shanghai Legal Proceedings has completed with no material contingencies or provision made.

- (3) As part of the Group’s further actions to seek compensation from Active Gains and Mr. PJW under the profit guarantee arrangement of SPA, in March 2022, a concurrent writ of summons with statement of claim (the “**Concurrent Writ**”) was served on Active Gains and Mr. PJW (collectively as the “**Defendants**”), outside Hong Kong pursuant to the leave granted by the High Court of Hong Kong on 18 February 2022 for serving the Concurrent Writ on the Defendants out of the jurisdiction of Hong Kong in relation to the legal action instituted by Fester

Global, as the plaintiff, against the Defendants under the High Court Action No. 1942/2021 (the “**2021 Legal Proceedings**”). Fester Global’s claims under the 2021 Legal Proceedings are related to the breaches of the SPA by Active Gains and Mr. PJW, and the breaches of the shareholders’ agreement (the “**SHA**”) dated 29 May 2017 entered into among Fester Global, Active Gains and True Cayman by Active Gains. Details of Fester Global claims against Active Gains are disclosed in the Company’s announcement dated 25 March 2022.

Active Gains and Mr. PJW have filed and served a Defence and Counterclaim on 20 July 2022, pursuant to which Active Gains counterclaimed for (i) a declaration that True Cayman is subject to trade sale as of 31 March 2020 pursuant to the SHA, (ii) specific performance of clauses 11.2 and 11.5 of the SHA, specifically the appointment of an appointed valuer (as defined under clause 11.3 of the SHA), and (iii) relevant damages for breach of the above provisions. In response, Fester Global filed Reply and Defence to Counterclaim on 11 November 2022.

The 2021 Legal Proceedings are still at a preliminary stage and the date of trial has not been fixed as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business of the Group) had been entered into by members of Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) a construction contract dated 12 July 2021 entered into between Shaanxi Hi-tech and Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司) in relation to the construction project of a production base located at Shaanxi Province of the PRC at the contract price of RMB166,000,000 (subject to adjustments), details of which are set out in the announcement and circular of the Company dated 12 July 2021 and 18 August 2021, respectively;
- (ii) a sale and purchase agreement dated 22 October 2021 entered into between Tongfang Konta Capital, L.P., Swiss Talent Group Limited and the Company in relation to the disposal of 9,500,000 shares of Series A Preferred Stock of AproS Therapeutics, Inc. (“**Apros**”) and the novation of loans owed by AproS to Tongfang Pharmaceutical at a total consideration of US\$16,000,000, details of which are set out in the announcement and circular of the Company dated 22 October 2021 and 18 November 2021, respectively;

- (iii) an equity transfer agreement dated 6 April 2022 entered into between Tongfang Pharmaceutical (as the vendor), Shenzhen Warranty (as the purchaser) and SPF in relation to the disposal of 55.43% of the equity interest in SPF at a consideration of RMB159,675,300 (subject to interest), details of which are set out in the announcement and circular of the Company dated 6 April 2022 and 26 May 2022, respectively; and
- (iv) the Equity Transfer Agreement.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Valplus Consulting Limited	Independent property valuer
Beijing Zhongtianhua Asset Appraisal Co., Ltd.	Independent valuer
BDO Limited	Certified public accountants

As at the Latest Practicable Date, each of the above experts:

- (i) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (ii) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, the date to which the latest published audited financial statements of the Group were made up; and
- (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and reference to its name in the form and context in which it appears.

8. GENERAL

The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office and principal place of business of the Company is situated at Room 12A09–12A20, 12A/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The principal share registrar of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The company secretary of the Company is Ms. Si Tou Man Wai, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia.

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on both the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.kontafarma.com.hk>) for a period of 14 days from the date of this circular (both days inclusive):

- (i) the Equity Transfer Agreement;
- (ii) the Property Valuation Report, the text of which is set out in Appendix II to this circular;
- (iii) the Asset Valuation Report, the text of which is set out in Appendix III to this circular;
- (iv) the letter from BDO, the text of which is set out in Appendix IV to this circular;
- (v) the letter from the Board on profit forecast, the text of which is set out in Appendix V to this circular; and
- (vi) the written consents referred to under the paragraph headed "Qualifications and Consents of Experts" in this appendix.

* *For identification purpose only*