

27 November 2025

*To: The independent board committee and the independent shareholders of
UNQ Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2026 Products Procurement Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 27 November 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

On 31 October 2025, the Company (for itself and on behalf of the Group) and TCI (for itself and on behalf of the TCI Group) agreed to renew the 2023 Products Procurement Framework Agreement by entering into the 2026 Products Procurement Framework Agreement. The proposed annual caps for the transactions contemplated under the 2026 Products Procurement Framework Agreement are RMB200 million, RMB250 million and RMB300 million for the three years ending 31 December 2026, 2027 and 2028, respectively.

As referred to in the Letter from the Board, the transactions contemplated under the 2026 Products Procurement Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders’ approval requirements.

The Independent Board Committee comprising Dr. Ng Kam Wah Webster, Mr. Wei Hang and Ms. Xin Honghua (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2026 Products Procurement Framework Agreement are on normal commercial terms and are

fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the 2026 Products Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the 2026 Products Procurement Framework Agreement at the EGM. We, DL Securities (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the 2026 Products Procurement Framework Agreement.

BASIS OF OUR OPINION

In formulating our opinion with regard to the 2026 Products Procurement Framework Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the TCI Group or their respective shareholders, subsidiaries or associates,

nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2026 Products Procurement Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. The Company will notify the independent Shareholders of any material changes after the Latest Practicable Date and after the dispatch of the Circular. The independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenues or costs to be recorded from the 2026 Products Procurement Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue and cost to be recorded under the 2026 Products Procurement Framework Agreement will correspond with the proposed annual caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2026 Products Procurement Framework Agreement, we have taken into consideration the following principal factors and reasons:

(1) Business and financial overview of the Group

The Group is a leading brand e-commerce service provider in China, focusing on fast-moving consumer goods, including personal care products, beauty products, health products and others. With reference to the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”), the Group recorded sales revenue of approximately RMB1,348.4 million in 2024, representing a decrease of approximately 22.3% as compared to 2023.

In the first half of 2025, China’s economy achieved steady growth, but consumers’ price sensitivity continued to rise. The widespread adoption of low-price promotional strategies across the industry intensified market competition, resulting in an in-depth “volume-for-price” competitive landscape. Meanwhile, with growing public health awareness, demand in the functional health food sector expanded rapidly, emerging as one of the strongest-growing segments in the market.

In the first half of 2025, the Group's overall revenue was RMB580.1 million, representing a decrease of 5.4% as compared to the same period of last year, while the gross profit margin was 34.6%, representing an increase of 4.6 percentage points as compared to 30.0% for the same period of last year; the net profit was RMB11.2 million, representing a year-on-year decrease of RMB12.5 million as compared to the net profit of RMB23.7 million for the same period of last year, which was mainly attributable to (i) enhancing operational efficiency, optimizing business structure and incubating proprietary brands; (ii) improving the transaction terms, adjusting product mix and perfecting channel profit structure; and (iii) recording gains on equity transfer of RMB9.1 million for the same period of last year and an increase of RMB3.1 million in impairment losses as compared to the same period of last year.

Against the backdrop of growing demand for health-oriented products, upgrading of personalized experiences, and the reshaping of consumption decisions by emotional value, coupled with the coexistence of competition and consolidation in the global market, the Group will focus on brand incubation, overseas expansion and refined operation in order to foster future business growth.

(2) Information on TCI

As extracted from the Letter from the Board, TCI is a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the controlling shareholders of the Company.

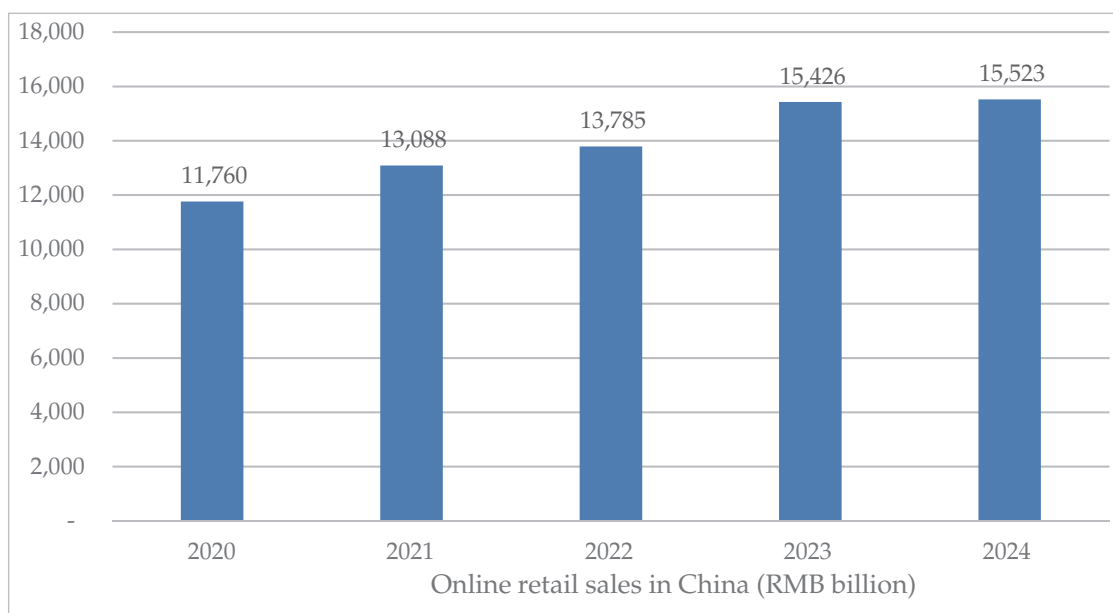
To enrich our understanding on TCI, we have performed independent research regarding its background and business. From our research, we noted from the company website of TCI at <https://www.trans-cosmos.co.jp/english/> that TCI was founded in the 1980s; together with its subsidiaries, the TCI Group principally engages in provision of comprehensive global sourcing services, comprising digital marketing, e-commerce and contact center services, digital marketing services, e-commerce one-stop shop services, contact centre services as well as business process outsourcing services. Headquartered in Japan, the TCI Group had set up 71 service bases in Japan and 113 service bases globally across Asia, Europe and the Americas as at the Latest Practicable Date. Throughout the years of development, the TCI Group has gained renowned reputation and client recognition. Its international clientele includes numerous famous brands, such as Jaquar, Sanrio, Cannon, Dyson, Bandai, Levi's, Casio, Sony etc., covering a wide spectrum of businesses.

Based on the financial information of the TCI Group published publicly at <https://www.trans-cosmos.co.jp/english/>, the TCI Group recorded total sales of approximately YEN354,085 million, YEN373,830 million, YEN362,201 million and YEN375,849 million for the four financial years ended 31 March 2022, 2023, 2024 and 2025, respectively, demonstrating a continuous considerable surge.

(3) Industry overview

The e-commerce and e-commerce service provider industry

The chart below illustrates the total value of online retail sales in China from 2020 to 2024:



Source: the National Bureau of Statistics of China

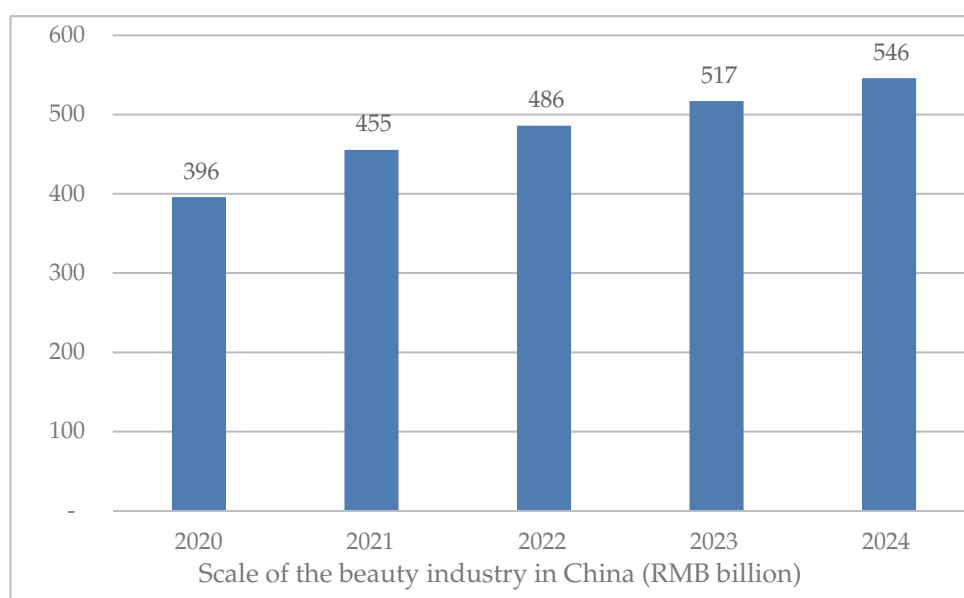
As illustrated above, the total value of online retail sales in China has been expanding persistently over the past years and exceeded RMB15,000 billion in 2023 and 2024. Online shopping has become a retail channel in China in the past few years, and it stimulated the shift of consumers' preference to online shopping. Backed-up by the supportive policies promulgated by the Chinese government, the development of e-commerce has become more and more mature. E-commerce enterprises are encouraged to cooperate with brand e-commerce service providers, thus promoting the new e-commerce business models. Based on the data from iiMedia Research, a sizeable third-party data mining and analysis organization established in Guangzhou, the PRC in 2007 and has operations in Hong Kong, Guangzhou, Beijing, Shanghai of the PRC with more than 2,000 reports related to the new economy such as artificial intelligence (AI), e-commerce, blockchain, environmental protection published, the scale of the brand e-commerce service provider industry in China in 2024 was approximately RMB446.9 billion, escalating by approximately 9.6% as compared to 2023. In 2028, the scale is expected to achieve RMB586.2 billion, escalating further by around 31%.

As the e-commerce industry enters the stage of transformation, brand e-commerce service providers have gradually developed into service providers with comprehensive competences capable of providing a one-stop

platform for digitalization and intelligence. To adapt to changes in demand and consumption habit of consumers, brand e-commerce service providers serve to help e-commerce enterprises to expand in all channels using new applications like 5G, AI, virtual reality, big data, cloud computing and other new technologies. Those new e-commerce applications are expected to enhance network traffic flows for brand promotion and bring new development opportunities to the brand e-commerce service providers.

The beauty and personal care industry

The chart below illustrates the scale of the beauty industry in China from 2020 to 2024:



Source: iiMedia Research

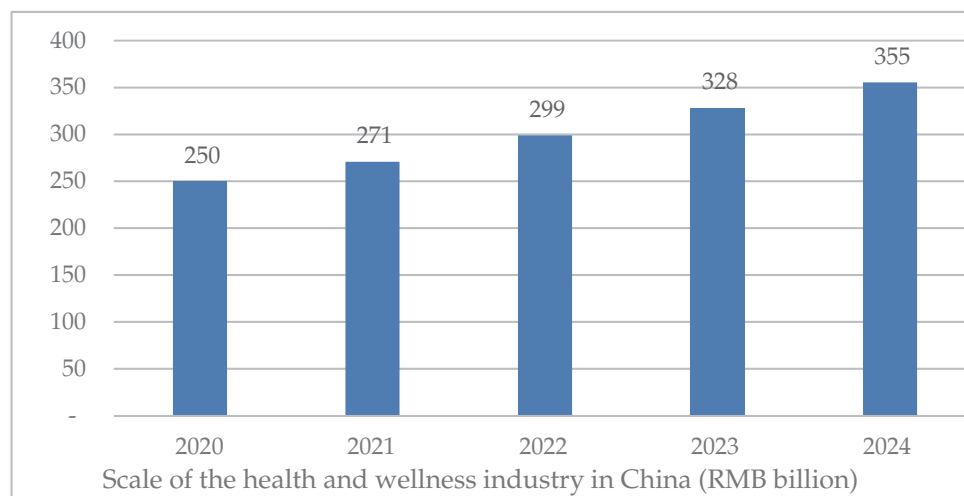
As illustrated above, the scale of the beauty industry in China has been enlarging steadily. Prospects of the beauty industry is expected to stay positive given the rising disposable income of the population together with the increasing awareness on beauty and personal care of the new generation. Meanwhile, beauty and personal care products is the largest product category for cross-border import brand e-commerce in China, and Japan is the most popular market for import of beauty and personal care products.

Amid the rising popularity of online channels, China's beauty and personal care industry will rely more heavily on online channels for sales. To attract more consumers for beauty and personal care products, live-streaming marketing, cosmetics social e-commerce and other new online channels which have accelerated their penetration among consumers will continue to be the driving factors for online sales. Nevertheless, the authentic makeup try-on experience from the offline channels will still be indispensable due to the wide

variety of beauty and personal care products combined with the highly personalized consumers' preference. With the mixing effect of online and offline channels, it is expected that companies with omni-channel layout will be more competitive in the beauty and personal care industry.

The health and wellness industry

The chart below illustrates the overall scale of the health and wellness industry in China from 2020 to 2024:



Source: iiMedia Research

As illustrated above, the health and wellness industry in China has been growing significantly in recent years. The total healthcare expenditure in China reached approximately RMB355 billion in 2024. Such significant growth was driven by a number of factors, including the increase in disposable income and aging of the population and the development of medical insurance policies. Likewise, the advancement in technologies coupled with Chinese consumers' increasing spending on online services, have resulted in the rapid digitalization of the health and wellness industry in China. More e-commerce platforms will establish their OTC drugs online retail channels, and more pharmaceutical companies will shift their focus to online retail in future.

For instance, the Chinese government has promulgated a series of favourable policies in support of the development of the OTC drugs online market, for example, in 2018, the "Announcement on Adjusting the List of Cross-border E-commerce Retail Imports" was issued to encourage the import of overseas OTC drugs; subsequently in 2019, the "Outline of Promoting the High-quality Development of Health and Wellness Industry (2019-2022)" which permitted the delivery of prescription drugs ordered online to consumers by third-party delivery was also issued. Therefore, the OTC drugs online retail market in China is likely to grow robustly in the near future.

(4) Reasons for and possible benefits of the 2026 Products Procurement Framework Agreement

Pursuant to the 2026 Products Procurement Framework Agreement, the Group agrees to purchase, and the TCI Group agrees to sell, products under various Japanese brand partners including Nichiban and Taisho.

As advised by the Directors, the Group will benefit from the 2026 Products Procurement Framework Agreement in the following ways:

- the purchase of products manufactured by new brand partners developed and introduced by the TCI Group to the Group will strengthen its ability to continue broadening and diversifying its brand portfolio and expand its products offering beyond beauty and personal care categories, which will help to keep the Group competitive in the market;
- TCI, as a company listed on the Tokyo Stock Exchange, is a reputable market player in Japan. Through such procurement arrangement, the Group will be able to leverage on the TCI Group's network in Japan to get access to a wide range of Japanese brand partners, particularly those offering branded OTC drugs;
- after years of cooperation, the TCI Group has developed an adequate understanding of the Group's brand portfolio, capital structure and business operations, which facilitates the introduction of appropriate brand partners by the TCI Group to the Group; and
- as the Company is not able to procure Nichiban, Ohta's Isan, Taisho, Santen, Daiichi Sankyo, Senju and Zeria branded OTC drugs from brand partners directly, TCI Group's relationship with those brand partners helps the Group to get access to the products of those brands.

Considering the aforesaid reasons for and possible benefits of the 2026 Products Procurement Framework Agreement as represented by the Directors together with the solid background of the TCI Group and the positive industry outlook as highlighted in the previous sections of this letter of advice, we are of the view that the 2026 Products Procurement Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

(5) **Principal terms of the 2026 Products Procurement Framework Agreement**

A summary of the principal terms of the 2026 Products Procurement Framework Agreement dated 31 October 2025 as extracted from the Letter from the Board is set out below:

Parties	:	The Company (for and on behalf of the Group); and TCI (for and on behalf of the TCI Group).
Term	:	From 1 January 2026 to 31 December 2028.
Subject matter	:	Pursuant to the 2026 Products Procurement Framework Agreement, the Group agrees to purchase, and the TCI Group agrees to sell, certain products manufactured by various Japanese brand partners and introduced by TCI Group to the Company, including but not limited to the OTC drugs and healthcare products under the brands of Nichiban, Ohta's Isan, Taisho, Santen, Daiichi Sankyo, LOXONIN, Senju and Zeria (the " Products "). While separate sale and purchase agreements will be entered into between the TCI Group and the Group under the 2026 Products Procurement Framework Agreement to provide detailed terms in respect of delivery, warranty, etc., such sale and purchase agreements shall be subject to applicable laws, regulatory rules of the places where the shares of the parties are listed, and internal corporate governance policies of the parties, and shall not contravene the provisions of the 2026 Products Procurement Framework Agreement.

Pricing basis and pricing policies : The consideration paid by the Group for the procurement under the 2026 Products Procurement Framework Agreement will be charged on a cost-plus basis with the mark-up rate no more than 8% which is determined by arm's length negotiation between the parties taking into account the TCI Group's cost of development and maintenance of relationship of brand partners in Japan, with reference to the prevailing mark-up rates for such kind of transactions in the market. The business departments of the Company shall review product list and mark-up rates offered by TCI Group from time to time, taking into account factors including market prospects, procurement quantity and profitability of the products offered by TCI Group. The senior management of the business departments of the Company will estimate the profit margin prior to entering into definitive agreements with TCI Group taking into account the expected sales price of the Products, consideration to be paid by the Group to TCI Group for such procurement, and any other applicable expenses and costs borne by the Group and assess whether such estimated profit margin will be around or above the average profit margin of the Group's overall sales (the "**Average Profit Margin**"). In the event that mark-up rates offered by the TCI Group would not allow the Company to have a reasonable profit margin around or above the Average Profit Margin, the Company shall not procure such products from TCI Group and will re-negotiate mark-up rates with TCI Group.

The brand partners of the Products, TCI Group and the Group (the “**Relevant Parties**”) have been cooperating under the existing business model since Relevant Parties first commenced such cooperation in 2018. Taking into account (i) the quotations and terms offered by three independent suppliers who are capable of fulfilling the Product demand of the Group, in respect of the Products, are not more favorable to the Group than those offered by TCI Group; (ii) the mark-up rates mainly consist of the cost borne by TCI Group to maintain business relationship with brand partners of the Products which are basically comparable with the overall business partner maintenance costs of the Group; (iii) the mark-up rates have been stable since Relevant Parties first commenced such cooperation and are expected to be stable under the 2026 Products Procurement Framework Agreement; and (iv) the Group has a long-term and stable business relationship with TCI Group who is familiar with the Group’s requirements and business operation.

Payment arrangement	:	Separate sale and purchase agreements will be entered into between the TCI Group and the Company under the 2026 Products Procurement Framework Agreement, which will set out the precise payment method, time of the payment and other details of the arrangements.
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As said, in respect of the procurement of products manufactured by brand partners introduced by the TCI Group to the Company, the consideration is charged on a cost-plus basis with the mark-up rate of no more than 8%. We were advised by the Directors that all products which the Group procured from the TCI Group were charged within 8%. For our due diligence purpose, we have requested the Company to provide us with the historical price list of 27 products which the Group procured from the TCI Group. After reviewing the said price list, we noted that the mark-up rates charged by TCI were normally in the range of 2% to 5%. Furthermore, we have requested the Company to provide us with the profit level of products of different brands, from which we noted that the Group remained profitable after deducting the mark-up cost. Upon our enquiry with the Directors, we understand that the Group will assess whether a reasonable profit margin could be achieved prior to entering into separate sale and purchase agreements with the TCI Group taking into account (i) the expected sales price of the product; (ii) the consideration to be paid by the Group to the TCI Group for such procurement; and (iii) any other applicable expense and costs borne by the Group. The Average Profit Margin was determined by the Company having considered the average profit margin of the Group’s overall sales.

Moreover, quotations will be conducted from at least three independent suppliers to ensure the purchase from the TCI Group will be conducted on terms no less favourable than terms available from independent third parties. We have obtained samples of such independent quotations for our due diligence purpose.

As further advised by the Directors, the Relevant Parties have been cooperating under the existing business model in the first place since 2018. With the pricing basis and pricing policies mentioned above, the products have been provided by the TCI Group in high and stable quality standards and the TCI Group could ensure punctual delivery of sufficient amounts of products even during peak seasons which benefits the smooth business operations of the Group, we concur with the Directors that the pricing basis and policies pursuant to the 2026 Products Procurement Framework Agreement are fair and reasonable.

In view of the above, we are of the opinion that the terms of the 2026 Products Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(6) Proposed annual caps

The proposed annual caps for the three years ending 31 December 2026, 2027 and 2028 for the transactions contemplated under the 2026 Products Procurement Framework Agreement are set out in the table below:

	2026	2027	2028
Consideration for the purchase of products from the TCI Group	RMB200,000,000	RMB250,000,000	RMB300,000,000

To assess the fairness and reasonableness of the proposed annual caps for the transactions contemplated under the 2026 Products Procurement Framework Agreement, we have requested and obtained the relevant detailed computation worksheet from the Company. After reviewing the computation worksheet and discussing with the Company, we understand that during the term of the 2026 Products Procurement Framework Agreement, it is expected that the Company will procure various OTC drugs and healthcare products. The computation worksheet exhibits a clear breakdown of the expected product procurement amounts of each of the different brands. With respect to products of Nichiban, we noted that the Company has projected the procurement amounts in 2026 primarily based on their respective actual sales values in 2024 and 2025 (note: the 2025 actual sales values were estimated based on (i) the actual figures up to September 2025; and (ii) the historical sales pattern from October to December). The Company also expected the procurement amounts of these products to be relatively stable in 2027 and 2028 having considered factors such as the historical trend of procurement and sales, as well as the overall market condition.

As for products of Taisho, Daiichi Sankyo, Ohta's Isan and Santen, similarly, the Company has projected their procurement amounts in 2026 primarily based on their respective actual sales values in 2024 and 2025 (see note in the above paragraph). As for the procurement amounts in 2027 and 2028, in light of (i) the jump of the actual sales values of products of Taisho from 2024 to 2025 (see note in the above paragraph) of around 4%; (ii) the substantial jump of the actual sales values of products of Daiichi Sankyo and Ohta's Isan from 2024 to 2025 (see note in the above paragraph) of around 38% and 28% respectively; (iii) the distribution of Santen commenced in the second half of 2025, and the expended sale value of products of Santen is similar to the actual sale of Taisho and Ohta's Isan; (iv) the expected new retail channels in certain social media platforms which would boost sales if materialized; and (v) the mounting sales of the overseas OTC drugs and healthcare products attributable to the increasing public awareness of healthcare.

For the products of LOXONIN, the Company has projected their procurement amounts in 2026, 2027 and 2028 primarily based on the Company similar products sale volume from 2024 to 2025 (see note in above paragraph) and the projection of the procurement amounts of 2026, 2027 and 2028.

We note that the historical transaction amounts of the transactions contemplated under the 2023 Products Procurement Framework Agreement in respect of the Products for the two years ended 31 December 2024 and for the nine months ended 30 September 2025 were approximately RMB54.96 million, RMB35.63 million and RMB54.11 million, respectively. The transactions amounts under the 2023 Products Procurement Framework Agreement were only approximately 61%, 30% and 31% of the proposed annual caps for the two years ended 31 December 2024 and for the nine months ended 30 September 2025, respectively. As advised by Directors, it was due to the general decrease in Japanese products consumption in China in 2023 and 2024 since the negative news of Japan in China. In such regard, we have conducted independent research and noted that stated on an independent newspaper named Beijing Business Today on 14 March 2024 (<https://www.bbtnews.com.cn/2024/0314/506825.shtml>), about a decrease in sale of a Japanese beauty brand in China in 2023 and 2024. Through our independent market analysis, which includes a report from the Ministry of Commerce of the People's Republic of China (<https://data.mofcom.gov.cn/hwmy/imexCountry.shtml>), we have noted that China's imports of goods from Japan increased by 5.6% as of September 2025. This positive trend is further substantiated by proposed annual caps; based on a utilisation rate of 31% for the first nine months of 2025, the estimated full-year rate for 31 December 2025 is approximately 41%. These indicators collectively demonstrate a recovering demand for Japanese products within the Chinese market. Consequently, the Board has a positive outlook, believing that this demand will continue to strengthen throughout the 2026 to 2028 period.

Furthermore, we understand from the computation worksheet provided by the Company that the Company intends to procure OTC drugs and healthcare products under a new brand pursuant to the 2026 Products Procurement Framework Agreement. The estimated procurement amounts are around RMB97 million on average from 2026 to 2028. Given that our independent research regarding the company background of this brand shows that it is a large-scale long established listed pharmaceutical brand in Japan with revenue of around YEN4,581 million for the financial year ended 31 March 2025, respectively, we consider the estimated procurement amounts to be fair and reasonable.

As also revealed by our independent research in the section headed “Industry overview” of this letter of advice, the health and wellness industry in China has been growing significantly in recent years. The total healthcare expenditure in China reached RMB355 billion in 2024. In addition, the advancement in technologies, coupled with Chinese consumers’ increasing spending on online services, have resulted in the rapid digitalization of the health and wellness industry in China.

In regards the Group’s expected new retail channels in social media platforms, we have enquired into and noted that one of those social media platforms is a short video app with more than 600 million active users and is highly popular among consumers and online shoppers in China.

Notwithstanding that the Group recorded a decrease in sales revenue of approximately 5.4% for the six months ended 30 June 2025 as compared to the corresponding period of the previous year, we concur with the Directors that such downturn, which was primarily because (i) the Group enhanced operational efficiency of existing brands, particularly through strengthened collaborations with brand partners in the beauty and personal care segments, where certain brands achieved significant sales growth year-on-year; (ii) the Group accelerated incubation of new brands to optimize the business structure, with the newly developed proprietary health food brand contributing revenue of RMB14.0 million during the Reporting Period, representing an increase of 729.1% as compared to the same period of last year; and (iii) the Group terminated the collaboration with one personal care brand during the Reporting Period based on strategic partnership adjustments, resulting in reduced revenue from this brand as compared to the same period of last year. Together with the Group’s focus on high-growth health consumption sectors, we concur with the Directors that the projected increments of the proposed annual caps in 2027 and 2028 are justifiable.

For instance, as explained by the Directors, the historical transaction amounts of the transactions contemplated under the 2023 Products Procurement Framework Agreement may be a less relevant reference than the historical sales values for the proposed annual caps since the transaction amounts were affected by the Group’s products inventories.

Given the combined effect of the foregoing, namely:

- (i) the expected stable procurement amounts of products of Nichiban;
- (ii) the expected considerable year-on-year increase in the procurement amounts of products of Taisho, Daiichi Sankyo, Ohta's Isan and Santen in light of (a) the jump of the actual sales values of products of Taisho from 2024 to 2025; (b) the substantial jump of the actual sales values of products of Daiichi Sankyo and Ohta's Isan from 2023 to 2024; (c) the expended sale value of products of Santen; (d) the expected new retail channels in certain social media platforms which would boost sales if materialized; (e) the mounting sales of the overseas OTC drugs and healthcare products attributable to the increasing public awareness of healthcare; and (f) the Company's plan to enrich the Japanese branded product offerings in the coming future;
- (iii) the expected procurement of OTC drugs and healthcare products under the brand in Japan which is of large scale, long established, listed on the Tokyo Stock Exchange and recorded substantial net sales;
- (iv) the growing trend of the health and wellness industry in China and its optimistic prospects; and
- (v) the high popularity of the social media platforms which the Group intends to use as its new retail channels,

we are of the view the proposed annual caps for the transactions contemplated under the 2026 Products Procurement Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(7) Internal control and compliance with the Listing Rules

With reference to the Letter from the Board, the Group has adopted the following internal control policies to supervise the 2026 Products Procurement Framework Agreement:

- (i) the Board and business and legal departments of the Company will review the terms and the pricing offered by TCI Group under the 2026 Products Procurement Framework Agreement and assess the reasonableness and fairness of the mark-up rates every half year. In addition, quotations will be conducted from at least three independent suppliers to ensure the purchase from the TCI Group will be conducted on terms no less favourable than terms available from independent third parties. If the Board and business departments are of the opinion that the mark-up rate offered by TCI Group would not allow the Group to have a reasonable profit margin, the Group will either re-negotiate with TCI Group to lower the price and/or offer such more favourable terms, or the Group will not make such purchase; and

- (ii) the business management team of the Company will closely monitor the services and products provided by the TCI Group to the Group in connection with the 2026 Products Procurement Framework Agreement to ensure that the TCI Group's performance under the agreement is in compliance with the provisions specified therein.

We consider that the internal control policies of the Group can ensure that the pricing offered by TCI Group under the 2026 Products Procurement Framework Agreement would be subject to regular review by designated experienced staff and would allow the Company to achieve reasonable profit. There are also constant review to ensure that the TCI Group's performance under the 2026 Products Procurement Framework Agreement is in compliance with the provisions specified therein.

Moreover, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the transactions contemplated under the 2026 Products Procurement Framework Agreement must be restricted by the proposed annual caps; (ii) the terms of the 2026 Products Procurement Framework Agreement (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the 2026 Products Procurement Framework Agreement (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the 2026 Products Procurement Framework Agreement are carried out in accordance with the pricing policies of the Company, and the proposed annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the 2026 Products Procurement Framework Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the 2026 Products Procurement Framework Agreement (together with the proposed annual caps), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the internal control policies of the Group as well as the stipulated requirements for continuing connected transaction of the Listing Rules in place, the 2026 Products Procurement Framework Agreement will be monitored and hence the interest of the Independent Shareholders may be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2026 Products Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2026 Products Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2026 Products Procurement Framework Agreement and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
DL Securities (HK) Limited

A handwritten signature in black ink, appearing to read 'Nathan Au', with a large, stylized initial 'N'.

Nathan Au
Managing Director
Corporate Finance Division

Mr. Nathan Au is a licensed person under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officer of DL Securities (HK) Limited. Mr. Nathan Au has over 5 years of experience in corporate finance industry.