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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kingworld Medicines Group Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KINGWORLD MEDICINES GROUP LIMITED

金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01110)

CONTINUING CONNECTED TRANSACTIONS PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2026 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**

VINCO  **榮高**

Vinco Financial Limited

A letter from the Board is set out on pages 6 to 22 of this circular.

A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, is set out on pages 23 to 24 of this circular.

A letter from Vinco Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 51 of this circular.

A notice convening the EGM to be held at the Conference Room, Unit 613, 6th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Kowloon, Hong Kong on Tuesday, 12 March 2024 at 11:00 a.m. (or any adjournment thereof) is set out on pages 58 to 59 of this circular. A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

23 February 2024

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Definitions | 1 |
| Letter from the Board | 6 |
| Letter from the Independent Board Committee | 23 |
| Letter from Vinco Financial | 25 |
| Appendix – General Information | 52 |
| Notice of Extraordinary General Meeting | 58 |

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

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| “2021 SZ Kingworld Lifeshine Master Distribution Agreement” | the master distribution agreement dated 1 April 2021 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products |
| “2021 Yuen Tai Master Distribution Agreement” | the master distribution agreement dated 1 April 2021 entered into between HK Kingworld and Yuen Tai for the purchase of the Yuen Tai Products |
| “2024 SZ Kingworld Lifeshine Master Distribution Agreement” | the master distribution agreement dated 15 December 2023 entered into between SZ Kingworld and SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products |
| “2024 Yuen Tai Master Distribution Agreement” | the master distribution agreement dated 15 December 2023 entered into between HK Kingworld and Yuen Tai for the purchase of the Yuen Tai Products |
| “2024 Master Distribution Agreements” | collectively, (i) the 2024 Yuen Tai Master Distribution Agreement; and (ii) the 2024 SZ Kingworld Lifeshine Master Distribution Agreement |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of directors of the Company |
| “Business Day(s)” | a day other than a Saturday, Sunday or public holiday (or a day on which a tropical cyclone No. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong or “extreme conditions” announced by The Government of the Hong Kong Special Administrative Region of the People’s Republic of China is in force at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks are open in Hong Kong to the general public for business |
| “BVI” | the British Virgin Islands |
| “Company” | Kingworld Medicines Group Limited (金活醫藥集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |

DEFINITIONS

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| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Dual-Specification” | a classification of pharmaceutical product which can be sold pursuant to the requirement as for either prescription or OTC pharmaceutical products |
| “EGM” | an extraordinary general meeting of the Company to be convened at the Conference Room, Unit 613, 6th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Kowloon, Hong Kong on Tuesday, 12 March 2024 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering, and if thought fit, approving the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 |
| “Fengbao Jianfu Capsule” | Fengbao Jianfu Capsule (鳳寶牌健婦膠囊), a Dual-Specification pharmaceutical product manufactured in Hong Kong and imported from Yuen Tai |
| “Golden Land” | Golden Land International Limited (金國國際有限公司), a limited liability company incorporated under the laws of the BVI |
| “Golden Morning” | Golden Morning International Limited (金辰國際有限公司), a limited liability company incorporated under the laws of the BVI |
| “Greater China” | the PRC, including Hong Kong, Macao Special Administrative Region of the PRC and Taiwan |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HK Kingworld” | Kingworld Medicine Healthcare Limited (金活藥業健康發展有限公司), a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company |

DEFINITIONS

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Imada Red Flower Oil” | Imada Red Flower Oil (依馬打正紅花油), a prescribed pharmaceutical product distributed by the Group |
| “Independent Board Committee” | a committee of the Board comprising all the independent non-executive Directors, namely, Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam |
| “Independent Financial Adviser” or “Vinc Financial” | Vinco Financial Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Yuen Tai Master Distribution Agreement, the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under each of these agreements |
| “Independent Shareholder(s)” | the Shareholder(s), other than those required by the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM in relation to the 2024 Master Distribution Agreements and accordingly, the proposed annual caps for the continuing connected transactions contemplated thereunder |
| “Kingworld Product Range” | products including but not limited to Kingworld Gan Mao Qing Capsule (金活感冒清膠囊) and products under the Kingworld American Ginseng series (金活洋參系列) |
| “Latest Practicable Date” | 16 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Memorandum and Articles” | the memorandum and articles of association of the Company |
| “Morning Gold” | Morning Gold Medicine Company Limited (金辰醫藥有限公司), a limited liability company incorporated under the laws of Hong Kong |

DEFINITIONS

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| “Mr. Zhao” | Zhao Li Sheng (趙利生), the chairman, an executive Director, a co-founder and Controlling Shareholder of the Company |
| “Ms. Chan” | Chan Lok San (陳樂榮), an executive Director, a co-founder and Controlling Shareholder of the Company |
| “OTC” | over the counter, a classification of pharmaceutical product which can be obtained without any doctors’ prescriptions. In the PRC, OTC products are further classified into “OTC (A)” and “OTC (B)” |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shareholders” | the holders of the shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “SZ Industry” | Shenzhen Kingworld Industry Company Limited* (深圳市金活實業有限公司), a company established in the PRC with limited liability |
| “SZ Kingworld” | Shenzhen Kingworld Medicine Company Limited* (深圳市金活醫藥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| “SZ Kingworld Lifeshine” | Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited* (深圳金活利生藥業有限公司), a company established in the PRC with limited liability |
| “SZ Kingworld Lifeshine Products” | certain pharmaceutical and healthcare products manufactured by SZ Kingworld Lifeshine including but not limited to the Kingworld Product Range and Imada Red Flower Oil |
| “Yuen Tai” | Yuen Tai Pharmaceuticals Limited (遠大製藥廠有限公司), a limited company incorporated under the laws of Hong Kong |

DEFINITIONS

“Yuen Tai Products” certain pharmaceutical and healthcare products purchased or to be purchased by the Group from Yuen Tai including but not limited to (i) Fengbao Jianfu Capsule (鳳寶牌健婦膠囊); (ii) Pu Ji Kang Gan Granules (普濟抗感顆粒); and (iii) other products manufactured by Yuen Tai for digestion

“%” per cent

The exchange rate adopted in this circular is for illustration purpose only. Such conversion should not be construed as a representation that the currency could actually be converted at that rate.

* *For identification purposes only*

LETTER FROM THE BOARD



KINGWORLD MEDICINES GROUP LIMITED
金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 01110)

Executive Directors:

Mr. Zhao Li Sheng
Ms. Chan Lok San
Mr. Zhou Xuhua

Independent Non-executive Directors:

Mr. Duan Jidong
Mr. Zhang Jianbin
Mr. Wong Cheuk Lam

Registered Office:

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal Place of Business

in Hong Kong:

Unit 613, 6th Floor
Goodluck Industrial Centre
808 Lai Chi Kok Road
Kowloon
Hong Kong

23 February 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED ANNUAL CAPS FOR THE THREE YEARS
ENDING 31 DECEMBER 2026
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

(1) INTRODUCTION

Reference is made to the announcement of the Company dated 15 December 2023 in relation to, inter alia, the 2024 Master Distribution Agreements.

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with, among other things:

- (i) further information as is necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM relating to the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 (the “**Proposed Transactions**”);
- (ii) the letter of recommendation from the Independent Board Committee relating to the Proposed Transactions;
- (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;
- (iv) the notice of the EGM; and
- (v) other information required by the Listing Rules.

(2) 2024 MASTER DISTRIBUTION AGREEMENTS

A. Background

Reference is made to the announcements of the Company dated 1 April 2021, 26 April 2021 and 6 May 2021 and the circular of the Company dated 10 May 2021 in respect of the continuing connected transactions with Yuen Tai and SZ Kingworld Lifeshine contemplated under the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, respectively.

In view of the prospective expiry of the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement, on 15 December 2023 (after trading hours), (1) HK Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 Yuen Tai Master Distribution Agreement with Yuen Tai for the purchase of the Yuen Tai Products for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive), and (2) SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 SZ Kingworld Lifeshine Master Distribution Agreement with SZ Kingworld Lifeshine for the purchase of the SZ Kingworld Lifeshine Products for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

LETTER FROM THE BOARD

Details of the 2024 Master Distribution Agreements are as follows:

B. 2024 Yuen Tai Master Distribution Agreement

1. *Date:* 15 December 2023

2. *Parties:*

(a) HK Kingworld, a wholly-owned subsidiary of the Company

(b) Yuen Tai

3. *Description of the transactions:*

Pursuant to the 2024 Yuen Tai Master Distribution Agreement, HK Kingworld or a wholly owned subsidiary of the Company shall purchase the Yuen Tai Products from Yuen Tai and HK Kingworld shall act as the exclusive distributor for distribution of the Yuen Tai Products in the Greater China.

4. *Condition precedent:*

The 2024 Yuen Tai Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.

5. *Term:*

The 2024 Yuen Tai Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

6. *Pricing and payment terms:*

The 2024 Yuen Tai Master Distribution Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the prices) on which the Yuen Tai Products are to be purchased by the Group should be on normal commercial terms and, where there is comparable product available in the market, should be no less favourable than those obtained from independent third parties by the Group. The Group will satisfy the consideration of such purchases by its internal resources.

The prices of the Yuen Tai Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the Yuen Tai Products from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers,

LETTER FROM THE BOARD

where there is comparable product available in the market. If price comparison is not applicable, the price offered by Yuen Tai would be accepted by the Group if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products. The Group currently maintains a minimum target gross profit margin of approximately 21.2% on average for the distribution of all pharmaceutical and healthcare products where comparable products are not available in the market, which is equally applicable to Yuen Tai and other independent third parties suppliers. In determining the minimum gross profit margin, the Group has, among others, conducted market research, considered product costs and market competitions. The minimum gross profit margin may be subject to adjustments should there be changes in the market conditions, to ensure that the Group meets market demand and maintains competitiveness. The minimum gross profit margin of approximately 21.2% on average is based on the Group's average gross profit margin for the transactions in relation to the purchase of pharmaceutical and healthcare products during the nine months ended 30 September 2023.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the Yuen Tai Products to the Group will be subject to individual orders placed by the Group and accepted by Yuen Tai. To the extent that a comparison can be made (subject to similar nature based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or HK Kingworld shall use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by Yuen Tai are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). As the Group is the exclusive distributor for distribution of the Yuen Tai Products in the Greater China, the Yuen Tai Products are exclusively sold to the Group by Yuen Tai. The Yuen Tai Products are unique in terms of ingredients and formula. To the best knowledge of the Company, for all the Yuen Tai Products, there is no comparable product with the same ingredients and/or formula available in the market which the Company can use for price comparison.

Given price comparison is not available for the Yuen Tai Products, there is more flexibility in pricing by the Company. The Company shall strive for a higher gross profit margin that is not less than gross profit margin of approximately 21.2% and the Group will only accept the price if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products. In addition, under the 2024 Yuen Tai Master Distribution Agreement, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers and the Group is not obliged to purchase products from Yuen Tai if other independent third parties suppliers are able to offer comparable products to the Group at more favourable terms.

There are no pre-defined selling prices of the Yuen Tai Products in the 2024 Yuen Tai Master Distribution Agreement. In general, Yuen Tai will provide the Group with fee quotes on the Yuen Tai Products on an annual basis. If the fee quotes on the Yuen Tai Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin of

LETTER FROM THE BOARD

approximately 21.2% (if comparable product is not available in the market), the price set out in the fee quote will be set as the actual unit price of the Yuen Tai Products in the purchase orders to be placed with Yuen Tai. If the fee quote is not accepted by the Group, the Group will re-negotiate with Yuen Tai on the price of the Yuen Tai Products based on the pricing policies set out above.

Taking into consideration of the above, the Board considers the above assessment can ensure the fairness and reasonableness of the selling prices of the Yuen Tai Products to the Group.

40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. The Group will only place orders with Yuen Tai upon receiving purchase orders from its customers.

Since the Group is the exclusive distributor of the Yuen Tai Products in the Greater China, Yuen Tai only manufactures and sells its pharmaceutical and healthcare products to the Group. Therefore, the deposit of the purchase price is necessary for Yuen Tai to procure new materials and for the payment of expenses in relation to the manufacturing of the pharmaceutical and healthcare products. When compared with the purchase contracts in relation to pharmaceutical and healthcare products which the Group entered into with other independent third parties suppliers in 2022 and 2023, it is a common practice for suppliers to require payment of deposits upon ordering from the Group. The amount of deposits required by such independent third parties suppliers ranged from 50% of the purchase price to be paid in advance within three days after the Group has placed an order to full payment before delivery of the products. Therefore, the Company considers that the pre-payment arrangement of 40% of the purchase price as deposit is a normal commercial term and is no less favourable to the Group than those offered by other independent third parties suppliers and is fair and reasonable.

7. *Historical transaction amounts:*

Set out below are the historical transaction amounts between the Group and Yuen Tai in respect of the purchase and distribution of Yuen Tai Products under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022 and the unaudited actual transaction amount for the nine months ended 30 September 2023; and the annual caps under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021, 31 December 2022 and 31 December 2023:

LETTER FROM THE BOARD

| | Audited transaction amount for the year ended 31 December 2021 ^(Note 1) | Annual cap for the year ended 31 December 2021 | Audited transaction amount for the year ended 31 December 2022 | Annual cap for the year ended 31 December 2022 | Unaudited transaction amount for the nine months ended 30 September 2023 | Annual cap for the year ending 31 December 2023 |
|--|--|--|--|--|--|---|
| Purchase of Yuen Tai Products | – | HK\$5,620,000 | HK\$114,000 | HK\$10,700,000 <i>(equivalent to approximately)</i> | HK\$3,083,000 | HK\$11,770,000 |
| | – | RMB4,734,000 | RMB97,000 | RMB9,014,000 | RMB2,613,000 | RMB9,915,000 |

Note:

- There was no transaction in 2021 mainly due to the outbreak of COVID-19 pandemic (the “Pandemic”).

8. *Proposed annual caps:*

Set out below are the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement for the three years ending 31 December 2026:

| | Annual cap for the year ending 31 December 2024 | Annual cap for the year ending 31 December 2025 | Annual cap for the year ending 31 December 2026 |
|--------------------------------------|---|---|---|
| Purchase of Yuen Tai Products | HK\$4,032,000 | HK\$5,707,000 | HK\$8,981,000 |
| | RMB3,417,000 | RMB4,837,000 | RMB7,611,000 |

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- the historical figures of the actual transaction amounts of the transactions under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022; and the unaudited actual transaction amount for the nine months ended 30 September 2023. The Directors are of the view that the low transaction amount under the 2021 Yuen Tai Master Distribution Agreement was mainly due to the outbreak of the Pandemic and the termination of the sales contract with a distributor in 2022. Also, the Company took time to adjust its sales channel including a more diligent approach to investigate the new distributors in 2023. In addition, pursuant to the “Notice on Issuing the 2023 Key Points for Correcting

LETTER FROM THE BOARD

Malpractices in Medical Purchase and Sales and Medical Services” *(關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知) dated 10 May 2023 issued by the Department of Medical Emergency Management Response of the National Health Commission* (國家衛生健康委員會醫療應急司), many hospitals had suspended the purchase and sales of medical products and non-basic medical products in the pharmaceutical and medical field and hence the hospitals had suspended the purchase of certain products including Yuen Tai Products, as they are considered as non-basic medical products. However, the sales would be distributed on platforms without violating the above restriction and guideline advised by the government in the coming three years and hence the sales and purchase of Yuen Tai Products are expected to resume;

- (ii) the expected increase in the unit price of the Yuen Tai Products due to the increase in the price of raw materials. The estimated unit price of the Yuen Tai Products under the 2024 Yuen Tai Master Distribution Agreement is based on the quotation provided by Yuen Tai. The estimated unit price of one of the Yuen Tai Products (which the purchase amount is expected to be over 80% of the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement) is expected to be increased by approximately 33.61%. The increase in unit price of such product is mainly due to the increase in the price of the main ingredient of the Yuen Tai Products; and
- (iii) the expected increase in demand for different pharmaceutical and healthcare products from customers, including medical products related to fertility and women’s health, such as Fengbao Jianfu Capsules (鳳寶牌健婦膠囊), one of the Yuen Tai Products, as the PRC government has implemented policies to boost birth rate, including granting subsidies for families raising child, increasing maternity leave and improving access to fertility treatments. In particular, the Group has received the three-year sales forecast from the Group’s main distributor. The purchase amount from such customer is expected to be over 80% of the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement on average for the three years ending 31 December 2026. The estimated purchase quantity of the Yuen Tai Products from such customer is expected to be increased by not less than 40% from 2024 to 2025 and by not less than 50% from 2025 to 2026. The estimated total amount of purchase of Fengbao Jianfu Capsules (鳳寶牌健婦膠囊) attributable to such customer in 2024, 2025 and 2026 is expected to be not less than approximately HK\$3,180,000, HK\$4,770,000 and HK\$7,950,000, respectively.

The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products.

C. 2024 SZ Kingworld Lifeshine Master Distribution Agreement

1. Date: 15 December 2023

2. Parties:

- (a) SZ Kingworld, a wholly-owned subsidiary of the Company
- (b) SZ Kingworld Lifeshine

LETTER FROM THE BOARD

3. Description of the transactions:

Pursuant to the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, SZ Kingworld or a wholly-owned subsidiary of the Company shall purchase the SZ Kingworld Lifeshine Products from SZ Kingworld Lifeshine and SZ Kingworld shall act as the exclusive distributor for distribution of the SZ Kingworld Lifeshine Products in the Greater China.

4. Condition precedent:

The 2024 SZ Kingworld Lifeshine Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.

5. Term:

The 2024 SZ Kingworld Lifeshine Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

6. Pricing and payment terms:

The 2024 SZ Kingworld Lifeshine Master Distribution Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the prices) on which the SZ Kingworld Lifeshine Products are to be purchased by the Group should be on normal commercial terms and no less favourable than those obtained from independent third parties by the Group. The Group will satisfy the consideration of such purchases by its internal resources.

The prices of the SZ Kingworld Lifeshine Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the SZ Kingworld Lifeshine Products as from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. If price comparison is not applicable, the price offered by SZ Kingworld Lifeshine would be accepted by the Group if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the SZ Kingworld Lifeshine Products. The Group currently maintains a minimum target gross profit margin of approximately 21.2% on average for the distribution of all pharmaceutical and healthcare products where comparable products are not available in the market, which is equally applicable to SZ Kingworld Lifeshine and other independent third parties suppliers. In determining the minimum gross profit margin, the Group has, among others, conducted market research, considered product costs and market competitions. The minimum gross profit margin

LETTER FROM THE BOARD

may be subject to adjustments should there be changes in the market conditions, to ensure that the Group meets market demand and maintains competitiveness. The minimum gross profit margin of approximately 21.2% on average is based on the Group's average gross profit margin for the transactions in relation to the purchase of pharmaceutical and healthcare products during the nine months ended 30 September 2023. The Group shall strive for a higher gross profit margin that is not less than gross profit margin of approximately 21.2%.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the SZ Kingworld Lifeshine Products to the Group will be subject to individual orders placed by the Group and accepted by SZ Kingworld Lifeshine. To the extent that a comparison can be made (subject to similar nature (based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or SZ Kingworld shall conduct research on the market price of similar products sold by other independent third parties and use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by SZ Kingworld Lifeshine are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). In addition, under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers and the Group is not obliged to purchase products from SZ Kingworld Lifeshine if other independent third parties suppliers are able to offer comparable products to the Group at more favourable terms.

There are no pre-defined selling prices of the SZ Kingworld Lifeshine Products in the 2024 SZ Kingworld Lifeshine Master Distribution Agreement. In general, SZ Kingworld Lifeshine will provide the Group with fee quotes on the SZ Kingworld Lifeshine Products on an annual basis. If the fee quotes on the SZ Kingworld Lifeshine Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin of approximately 21.2% (if comparable product is not available in the market), the price set out in the fee quote will be set as the actual unit price of the SZ Kingworld Lifeshine Products in the purchase orders to be placed with SZ Kingworld Lifeshine. If the fee quote is not accepted by the Group, the Group will re-negotiate with SZ Kingworld Lifeshine on the price of the SZ Kingworld Lifeshine Products based on the criterion set out above.

Taking into consideration of the above, the Board considers the above assessment can ensure the fairness and reasonableness of the selling prices of the SZ Kingworld Lifeshine Products to the Group.

40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. The Group will only place orders with SZ Kingworld Lifeshine upon receiving purchase orders from its customers.

LETTER FROM THE BOARD

Since the Group is the exclusive distributor of the SZ Kingworld Lifeshine Products in the Greater China, SZ Kingworld Lifeshine only manufactures and sells its Imada Red Flower Oil to the Group. Therefore, the deposit of the purchase price is necessary for SZ Kingworld Lifeshine to procure new materials and for the payment of expenses in relation to the manufacturing of the pharmaceutical and healthcare products. When compared with the purchase contracts in relation to pharmaceutical and healthcare products which the Group entered into with other independent third parties suppliers in 2022 and 2023, it is a common practice for suppliers to require payment of deposits upon ordering from the Group. The amount of deposits required by such independent third parties suppliers ranged from 50% of the purchase price to be paid in advance within three days after the Group has placed an order to full payment before delivery of the products. Therefore, the Company considers that the pre-payment arrangement of 40% of the purchase price as deposit is a normal commercial term and is no less favourable to the Group than those offered by other independent third parties suppliers and is fair and reasonable.

7. *Historical transaction amounts:*

Set out below are the historical transaction amounts between the Group and SZ Kingworld Lifeshine in respect of the purchase and distribution of SZ Kingworld Lifeshine Products under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022 and the unaudited actual transaction amount for the nine months ended 30 September 2023; and the annual caps under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021, 31 December 2022 and 31 December 2023:

| | Audited transaction amount for the year ended 31 December 2021 | | Audited transaction amount for the year ended 31 December 2022 | | Unaudited transaction amount for the nine months ended 30 September 2023 | |
|--|--|--|--|--|--|---|
| | Annual cap for the year ended 31 December 2021 | Annual cap for the year ended 31 December 2021 | Annual cap for the year ended 31 December 2022 | Annual cap for the year ended 31 December 2022 | Annual cap for the year ending 31 December 2023 | Annual cap for the year ending 31 December 2023 |
| Purchase of SZ Kingworld Lifeshine Products | HK\$33,801,000 | HK\$46,510,000 | HK\$37,320,000 | HK\$52,564,000 | HK\$18,024,000 | HK\$62,061,000 |
| | | | <i>(equivalent to approximately)</i> | | | |
| | RMB28,645,000 | RMB39,180,000 | RMB31,627,000 | RMB44,280,000 | RMB15,275,000 | RMB52,280,000 |

LETTER FROM THE BOARD

8. Proposed annual caps:

Set out below are the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement for the three years ending 31 December 2026:

| | Annual cap for the year ending 31 December 2024 | Annual cap for the year ending 31 December 2025 | Annual cap for the year ending 31 December 2026 |
|--|---|---|---|
| Purchase of SZ Kingworld Lifeshine Products | HK\$58,032,000 RMB49,180,000 | HK\$98,950,000 RMB83,856,000 | HK\$145,535,000 <i>(equivalent to approximately)</i> RMB123,335,000 |

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the historical figures of the actual transaction amounts of the transactions under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022, and the unaudited actual transaction amount for the nine months ended 30 September 2023. The Directors are of the view that the low transaction under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the nine months ended 30 September 2023 is mainly due to the drop in sales since the selling price has raised since April 2022; and
- (ii) the expected increase in demand for different pharmaceutical and healthcare products from customers. During the outbreak of the Pandemic in 2020 to 2022, there had been controls over certain types of pharmaceutical products in the PRC, which had affected the sales of pharmaceutical and healthcare products. As the economy gradually recovers from the Pandemic, there had been an increase in public health awareness and increase in healthcare expenditure in the PRC which would result in the increase in purchase amount per customer. The innovations in the healthcare industry have been continuously enhancing the medical capabilities of service providers and the experiences of the service receivers, which may also increase the customers' willingness to pay. In addition, the Group is expected to expand its distribution scale, which may increase the value of transactions to be entered into between the Group and SZ Kingworld Lifeshine. The number of retail outlets which sell the SZ Kingworld Lifeshine Products is expected to increase from approximately 176,000 at the end of 2024 to approximately 240,000 at the end of 2025 and approximately 308,000 at the end of 2026. Coupled with the Group's increased marketing efforts to promote online and offline sales, such as sponsoring of marathons and other events, which had strengthened brand awareness and reputation of the products and the PRC government's policy which emphasized the strategic importance of the healthcare industry, the Directors are of the view that there will be an increase in market demand for pharmaceutical and healthcare products. The Directors are of the view that as the population ageing is accelerating, there would be an increase in elderlies who are affected joint degeneration,

LETTER FROM THE BOARD

long-term strain and the corresponding severe chronic pain, which would lead to an increase in demand for Imada Red Flower Oil, which helps relieve pain, promote blood circulation and dispel cold. Based on the Group's three-year sales forecast, the expected purchase amount of Imada Red Flower Oil is not less than 70% of the SZ Kingworld Lifeshine Products under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement for each of the three years ending 31 December 2026 and the estimated purchase quantity for Imada Red Flower Oil is approximately 6.22 million bottles, 10.30 million bottles and 14.71 million bottles in 2024, 2025 and 2026, respectively. Apart from Imada Red Flower Oil, SZ Kingworld Lifeshine manufactures a wide range of other pharmaceutical and healthcare products, including various new products that the Group expects to purchase from SZ Kingworld Lifeshine. Based on the Group's three-year sales forecast, it is expected that the purchase amount (excluding tax) of the new SZ Kingworld Lifeshine Products (excluding Imada Red Flower Oil) by the Group shall account for approximately 20%, 29% and 33% of the total purchase of the SZ Kingworld Lifeshine Products in 2024, 2025 and 2026, respectively.

The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products.

In considering the above factors, the Directors have taken into account the planned purchase amount for the SZ Kingworld Lifeshine Products by the Group, the expected expansion of its distributions scale, the expected increase in demand from customers and the estimated average purchase price of the SZ Kingworld Lifeshine Products.

D. Reasons for and Benefits in Entering into the 2024 Master Distribution Agreements

The Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong. The pharmaceutical and healthcare products distributed by the Group are supplied by various suppliers including Yuen Tai and SZ Kingworld Lifeshine. The Directors consider that a long term and steady relationship with these suppliers are of importance to the Group as it enables stability in the supply to the Group which in turn avoids any unnecessary disruption to the Group's business and guarantees a smooth operation of the Group.

By entering into the 2024 Master Distribution Agreements, the Group can maintain long term relationships with Yuen Tai and SZ Kingworld Lifeshine.

Pursuant to the 2024 Master Distribution Agreements, the products to be purchased by the Group are on an exclusive basis and the prices of such products should be on normal commercial terms and no less favourable than those obtained from independent third parties (if applicable). As such, the Group may gain competitive advantage in terms of costs. As the Group will act as the exclusive distributor for distribution of such products in the Greater China, the Group may avoid competition with other distributors with respect to the same products in the market.

LETTER FROM THE BOARD

In light of the above factors, the Directors (excluding Mr. Zhao and Ms. Chan, who have abstained from voting on the relevant board resolutions due to their interest in the 2024 Master Distribution Agreements) consider that the terms under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 are fair and reasonable and in the interests of the Shareholders as a whole. The opinion of the independent non-executive Directors will be formed after taking into account the advice to be provided by Vinco Financial, which is set out in the Letter from Vinco Financial in this circular.

E. General Information

1. Principal Business Activities

(a) The Group

The Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong.

(b) Yuen Tai

Yuen Tai is principally engaged in the manufacturing of pharmaceutical and healthcare products.

(c) SZ Kingworld Lifeshine

SZ Kingworld Lifeshine is principally engaged in the manufacturing of pharmaceutical and healthcare products.

(d) SZ Kingworld

SZ Kingworld was established in Shenzhen, the PRC in 1996. SZ Kingworld adheres to the business philosophy of being proactive, sincere and altruistic and continues to provide safe and effective pharmaceutical and healthcare products to its customers around the world. SZ Kingworld is principally engaged in the distribution of imported branded pharmaceutical and healthcare products in the PRC. The products distributed by SZ Kingworld include Nin Jiom Chuan Bei Pei Pa Koa, Taiko Seirogan, Imada Red Flower Oil, etc.

(e) HK Kingworld

HK Kingworld is principally engaged in the distribution of imported branded healthcare products in Hong Kong and Macao, including the Culturelle (康萃樂) probiotics product series from the United States, which is a leading brand in the probiotics product market in the United States and the probiotics product brand for children most recommended by pediatricians in the United States.

LETTER FROM THE BOARD

F. Implications under the Listing Rules

Both Yuen Tai and SZ Kingworld Lifeshine are companies wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, each of Yuen Tai and SZ Kingworld Lifeshine is a connected person of the Company and the transactions under each of the 2024 Master Distribution Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the transactions contemplated under the 2024 Master Distribution Agreements are to be made with Yuen Tai and SZ Kingworld Lifeshine, and these two companies are indirectly wholly-owned by Mr. Zhao and Ms. Chan, such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregate of the proposed annual caps for the transactions contemplated under the 2024 Master Distribution Agreements is/are expected to exceed 5%, the transactions under the 2024 Master Distribution Agreements are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company confirms that the transactions contemplated under the 2024 Master Distribution Agreements are of a revenue nature in the ordinary and usual course of business of the Company and therefore are exempted from the requirements under Chapter 14 of the Listing Rules.

As Mr. Zhao and Ms. Chan have a material interest in the 2024 Master Distribution Agreements and the transactions contemplated thereunder, Mr. Zhao and Ms. Chan and their associates are required under the Listing Rules to abstain from voting on the relevant resolutions at the EGM in respect of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026. Other than Mr. Zhao and Ms. Chan, no Director is materially interested in the transactions under each of the 2024 Master Distribution Agreements and is required to abstain from voting on the Board resolutions to approve such agreements.

Mr. Zhao, Ms. Chan, Golden Land and Golden Morning are Controlling Shareholders of the Company, therefore each of them and their respective associate(s) are connected persons (as defined under the Listing Rules) of the Company. Golden Land and Golden Morning are investment holding companies. Pursuant to Rule 14A.70(12) of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any connected person with a material interest in such transaction and any shareholder with material interest in such transaction and its associates, will not vote on such transaction. Accordingly, Mr. Zhao, Ms. Chan, Golden Land and Golden Morning and their respective associate(s) shall at the EGM abstain from voting in respect of the resolutions to approve the Proposed Transactions, which will be taken on a poll as required under the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Zhao, Ms. Chan, Golden Land and Golden Morning and their respective associates controlled or were entitled to exercise control over the voting rights in respect of 410,420,250 shares in the Company, representing approximately 65.93% of the entire issued share capital of the Company.

To the extent that the Company is aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement, arrangement or understanding entered into by or binding upon Mr. Zhao, Ms. Chan, Golden Land and Golden Morning;
- (ii) each of Mr. Zhao, Ms. Chan, Golden Land and Golden Morning was not subject to any obligation or entitlement whereby he/she/it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its shares in the Company to a third party, whether generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between each of Mr. Zhao's, Ms. Chan's, Golden Land's or Golden Morning's beneficial shareholding interest in the Company, and the number of shares in the Company in respect of which he/she/it would control or would be entitled to exercise control over the voting right at the EGM.

As far as the Directors are aware, other than Mr. Zhao, Ms. Chan, Golden Land and Golden Morning and their respective associate(s), no other Shareholder has a material interest in the Proposed Transactions and has to abstain from voting at the EGM in respect of the resolutions to approve the Proposed Transactions.

The Independent Board Committee has been established to advise the Independent Shareholders on the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026. The letter from the Independent Board Committee and its recommendations to the Independent Shareholders are set out on pages 23 to 24 of this circular, and the opinion letter from the Independent Financial Adviser is set out on pages 25 to 51 of this circular.

LETTER FROM THE BOARD

G. Internal Control Measures Governing the 2024 Master Distribution Agreements

The Group has adopted the following internal control procedures to govern the continuing connected transactions of the Company under the 2024 Master Distribution Agreements:

- (i) The internal control department of the Group (the “**Internal Control Department**”) will manage and monitor the transactions to be entered under the 2024 Master Distribution Agreements. The Internal Control Department will conduct review on the prices of products of similar specification and quality in the market on an annual basis and ensure that the purchase prices of the Yuen Tai Products and SZ Kingworld Lifeshine Products are fair and reasonable and where there is no comparable product available in the market, the purchase price should be determined by arm’s length basis and on normal commercial terms.
- (ii) To ensure that the proposed annual caps will not be exceeded and the continuing connected transactions are conducted in accordance with the pricing policies under the 2024 Master Distribution Agreements, the Internal Control Department will closely monitor and record the transaction amount of each order under the 2024 Master Distribution Agreements, conduct price comparison on an annual basis, submit the procurement plans and status reports to the executive Directors and the company secretary of the Company on a monthly basis, and report to the audit committee of the Board on a semi-annual basis.
- (iii) The management of the Company will discuss with the independent non-executive Directors if there is any potential compliance issue during the term of the 2024 Master Distribution Agreements and where necessary, seek advice from professional parties such as legal advisers and/or auditor.
- (iv) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the 2024 Master Distribution Agreements are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the 2024 Master Distribution Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (v) The Company’s auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm pursuant to Rule 14A.56 of the Listing Rules on, among others, whether (a) the transactions under the 2024 Master Distribution Agreements have been approved by the Board; (b) the transactions were entered into, in all material respects, in accordance with the 2024 Master Distribution Agreements governing the transactions; and (c) the relevant proposed annual caps have not been exceeded.

LETTER FROM THE BOARD

(3) EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

A notice convening the EGM to be held at the Conference Room, Unit 613, 6th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Kowloon, Hong Kong on Tuesday, 12 March 2024 at 11:00 a.m. (or any adjournment thereof) is set out on pages 58 to 59 of this circular. At the EGM, ordinary resolutions will be proposed to approve the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend such meeting, please complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rules 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution to be passed at the EGM pursuant to the Memorandum and Articles. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

(4) RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 23 to 24 of this circular; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 25 to 51 of this circular; and (iii) the additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Vinco Financial, considers that (i) the transactions under each of the 2024 Master Distribution Agreements are fair and reasonable, and that it is in the interests of the Company and the Shareholders as a whole to enter into the Proposed Transactions (as defined under the letter from the Independent Board Committee) with Yuen Tai and SZ Kingworld Lifeshine, respectively; and (ii) the proposed annual caps for the three years ending 31 December 2026 for each of the 2024 Master Distribution Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Independent Shareholders to attend and vote at the EGM in favour of the ordinary resolutions set out in the notice of the EGM.

By order of the Board
Kingworld Medicines Group Limited
Zhao Li Sheng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



KINGWORLD MEDICINES GROUP LIMITED

金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01110)

23 February 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED ANNUAL CAPS FOR THE THREE YEARS
ENDING 31 DECEMBER 2026**

We refer to the circular dated 23 February 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 (the “**Proposed Transactions**”), details of which are set out in the letter from the Board contained in the Circular. None of us has a material interest in the Proposed Transactions.

Both Yuen Tai and SZ Kingworld Lifeshine are companies wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, each of Yuen Tai and SZ Kingworld Lifeshine is a connected person of the Company. The Proposed Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Vinco Financial has been appointed as the Independent Financial Adviser to advise us in respect of the Proposed Transactions. We wish to draw your attention to the opinion letter from the Independent Financial Adviser as set out on pages 25 to 51 of the Circular.

As members of the Independent Board Committee, we have taken into account the principal factors and reasons considered by Vinco Financial in forming its opinion in relation to the Proposed Transactions.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

On the basis of the above, we consider, and agree with the view of Vinco Financial, that the transactions under each of the 2024 Master Distribution Agreements are fair and reasonable, and that it is in the interests of the Company and the Shareholders as a whole to enter into the Proposed Transactions with Yuen Tai and SZ Kingworld Lifeshine respectively.

We further consider, and agree with the view of Vinco Financial, that the proposed annual caps for the three years ending 31 December 2026 for each of the 2024 Master Distribution Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Proposed Transactions.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. Duan Jidong

Mr. Zhang Jianbin

Mr. Wong Cheuk Lam

Independent non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 for the purpose of incorporation in this circular:



23 February 2024

*To the Independent Board Committee and the Independent Shareholders of
Kingworld Medicines Group Limited*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED ANNUAL CAPS FOR THE THREE YEARS
ENDING 31 DECEMBER 2026**

A. 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 transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 February 2024 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

Reference is made to the announcements of the Company dated 15 December 2023 in relation to, inter alia, the 2024 Master Distribution Agreements.

In view of the prospective expiry of the 2021 Yuen Tai Master Distribution Agreement and the 2021 SZ Kingworld Lifeshine Master Distribution Agreement (the “**2021 Master Distribution Agreement**”), on 15 December 2023 (after trading hours), (1) HK Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 Yuen Tai Master Distribution Agreement with Yuen Tai for the purchase of the Yuen Tai Products for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive), and (2) SZ Kingworld, a wholly-owned subsidiary of the Company, entered into the 2024 SZ Kingworld Lifeshine Master Distribution Agreement with SZ Kingworld Lifeshine for

LETTER FROM VINCO FINANCIAL

the purchase of the SZ Kingworld Lifeshine Products for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

Both Yuen Tai and SZ Kingworld Lifeshine are companies wholly-owned by Morning Gold, which is in turn 51% held by Mr. Zhao and 49% held by Ms. Chan, respectively. Both of Mr. Zhao and Ms. Chan are executive Directors and Controlling Shareholders of the Company. Therefore, each of Yuen Tai and SZ Kingworld Lifeshine is a connected person of the Company and the transactions under each of the 2024 Master Distribution Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the transactions contemplated under the 2024 Master Distribution Agreements are to be made with Yuen Tai and SZ Kingworld Lifeshine and these two companies are indirectly wholly-owned by Mr. Zhao and Ms. Chan, such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregate of the proposed annual caps for the transactions contemplated under the 2024 Master Distribution Agreements are expected to exceed 5%, the transactions under the 2024 Master Distribution Agreements are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhao and Ms. Chan have a material interest in the 2024 Master Distribution Agreements and the transactions contemplated thereunder, Mr. Zhao and Ms. Chan and their associates are required under the Listing Rules to abstain from voting on the relevant resolutions at the EGM in respect of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026. Other than Mr. Zhao and Ms. Chan, no Director is materially interested in the transactions under each of the 2024 Master Distribution Agreements and is required to abstain from voting on the Board resolutions to approve such agreements.

Mr. Zhao, Ms. Chan, Golden Land and Golden Morning are Controlling Shareholders of the Company, therefore each of them and their respective associate(s) are connected persons (as defined under the Listing Rules) of the Company. Golden Land and Golden Morning are investment holding companies. Pursuant to Rule 14A.70(12) of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any connected person with a material interest in such transaction and any shareholder with material interest in such transaction and its associates, will not vote on such transaction. Accordingly, Mr. Zhao, Ms. Chan, Golden Land and Golden Morning and their respective associate(s) shall at the EGM abstain from voting in respect of the resolutions to approve the Proposed Transactions, which will be taken on a poll as required under the Listing Rules.

LETTER FROM VINCO FINANCIAL

The Independent Board Committee

The Board currently comprises Mr. Zhao Li Sheng, Ms. Chan Lok San, and Mr. Zhou Xuhua as the executive Directors; and Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam as the independent non-executive Directors.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders whether, among other things, (i) the 2024 Master Distribution Agreements have been entered into by the Group within its ordinary and usual course of business based on normal commercial terms and their respective terms and conditions, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the proposed annual caps are reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) to vote in favour of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give an independent opinion as to whether transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. We, Vinco Financial, have been appointed and approved by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Our Independence

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, 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. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

LETTER FROM VINCO FINANCIAL

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, there was no engagement between the Company and Vinco Financial. Accordingly, we consider that we are eligible to give independent advice on, among other things, the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, the management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2022, (ii) the interim report of the Company for the six months ended 30 June 2023; (iii) the

LETTER FROM VINCO FINANCIAL

Announcement; (iv) the 2024 Yuen Tai Master Distribution Agreement; (v) the 2024 SZ Kingworld Lifeshine Master Distribution Agreement; (vi) the historical transactions between the Group and all connected persons under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement and 2021 Yuen Tai Master Distribution Agreement, and their corresponding samples of transaction documents; (vii) the basis and assumption of the transactions contemplated under 2024 Master Distribution Agreements; and (viii) the internal control measures governing continuing connected transactions; which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the terms of the 2024 Master Distribution Agreements and their respective proposed annual caps, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026 and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the transactions under each of the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026, we have taken into account the principal factors and reasons set out below:

2024 Master Distribution Agreements

1. Background

i. Information of the Group

The Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong.

ii. Information of Yuen Tai

Yuen Tai is principally engaged in the manufacturing of pharmaceutical and healthcare products.

LETTER FROM VINCO FINANCIAL

iii. Information of SZ Kingworld Lifeshine

SZ Kingworld Lifeshine is principally engaged in the manufacturing of pharmaceutical and healthcare products.

iv. Information of SZ Kingworld

SZ Kingworld was established in Shenzhen, the PRC in 1996. SZ Kingworld adheres to the business philosophy of being proactive, sincere and altruistic and continues to provide safe and effective pharmaceutical and healthcare products to its customers around the world. SZ Kingworld is principally engaged in the distribution of imported branded pharmaceutical and healthcare products in the PRC. The products distributed by SZ Kingworld include Nin Jiom Chuan Bei Pei Pa Koa, Taiko Seirogan, Imada Red Flower Oil, etc.

v. Information of HK Kingworld

HK Kingworld is principally engaged in the distribution of imported branded healthcare products in Hong Kong and Macao, including the Culturelle (康萃樂) probiotics product series from the United States, which is a leading brand in the probiotics product market in the United States and the probiotics product brand for children most recommended by pediatricians in the United States.

2. *Reasons for and benefits in entering into the 2024 Master Distribution Agreements*

As disclosed in the Letter from the Board, the Group is principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong.

By entering into the 2024 Master Distribution Agreements, the Group can maintain long term relationships with Yuen Tai and SZ Kingworld Lifeshine. We understand a long term and steady relationship with the suppliers is of importance to the Group as it enables stability in the supply to the Group which in turn avoids any unnecessary disruption to the Group's business and guarantees a smooth operation of the Group. As confirmed by the management of the Company and disclosed in the prospectus dated 12 November 2010, the Group has already purchased the pharmaceutical and healthcare products from Yuen Tai and SZ Kingworld Lifeshine since 21 October 2010. As such, we are of the view that the Group can maintain long term relationships with Yuen Tai and SZ Kingworld Lifeshine by entering into the new master distribution agreements.

LETTER FROM VINCO FINANCIAL

Pursuant to the 2024 Master Distribution Agreements, the products to be purchased by the Group are on an exclusive basis and the prices of such products should be on normal commercial terms and no less favourable than those obtained from independent third parties (if applicable). As such, the Group may gain competitive advantage in terms of costs. As the Group will act as the exclusive distributor for distribution of such products in the Greater China, we are of the view that the Group may avoid competition with other distributors with respect to the same products in the market.

Having considered the above, and particularly, the entering into of the 2024 Master Distribution Agreements will (i) maintain the Group's long term relationship with Yuen Tai and SZ Kingworld Lifeshine and enable the stability in the supply to the Group which in turn ensures a smooth operation of the Group's distribution business; and (ii) widen the product coverage for exclusive distribution, we are of the view that the entering into of the new master distribution agreements, together with the adoption of the annual caps, are conducted in the ordinary and usual course of the Group's business and are in the interests of both the Company and the Shareholders as a whole.

A. 2024 Yuen Tai Master Distribution Agreement

Principal terms of 2024 Yuen Tai Master Distribution Agreement

- 1. Date:** 15 December 2023
- 2. Parties:** (a) HK Kingworld, a wholly-owned subsidiary of the Company; and (b) Yuen Tai.
- 3. Description of the transactions:** Pursuant to the 2024 Yuen Tai Master Distribution Agreement, HK Kingworld or a wholly-owned subsidiary of the Company shall purchase the Yuen Tai Products from Yuen Tai and HK Kingworld shall act as the exclusive distributor for distribution of the Yuen Tai Products in the Greater China.
- 4. Condition precedent:** The 2024 Yuen Tai Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.
- 5. Term:** The 2024 Yuen Tai Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).

LETTER FROM VINCO FINANCIAL

- 6. Pricing Policy and payment terms:** The 2024 Yuen Tai Master Distribution Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the prices) on which the Yuen Tai Products are to be purchased by the Group should be on normal commercial terms and no less favourable than those obtained from independent third parties by the Group. The Group will satisfy the consideration of such purchases by its internal resources.

The prices of the Yuen Tai Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the Yuen Tai Products from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. If price comparison is not applicable, the price offered by Yuen Tai would be accepted by the Group if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products. The Group currently maintains a minimum target gross profit margin of approximately 21.2% on average for the distribution of all pharmaceutical and healthcare products where comparable products are not available in the market, which is equally applicable to Yuen Tai and other independent third parties suppliers. In determining the minimum gross profit margin, the Group has, among others, conducted market research, considered product costs and market competitions. The minimum gross profit margin may be subject to adjustments should there be changes in the market conditions, to ensure that the Group meets market demand and maintains competitiveness. Besides, we collected the historical data regarding the highest, lowest and average gross profit margin of the pharmaceutical and health products of the Group for the two years ended 31 December 2022 and the nine months ended 30 September 2023 from the Company and found the minimum gross profit margin of approximately 21.2% is based on the Group's average gross profit margin for the transactions in relation to the purchase of pharmaceutical and healthcare products for the nine months ended 30 September 2023.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the Yuen Tai Products to the Group will be subject to individual orders placed by the Group and accepted by Yuen Tai. To the extent that a comparison can be made (subject to similar nature (based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or HK Kingworld shall use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by Yuen Tai are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). As the Group is the exclusive distributor for distribution of the Yuen Tai Products in the Greater China, the Yuen Tai Products are exclusively sold to the Group by Yuen Tai. Currently, the Yuen Tai Products are unique in terms of ingredients and formula. To the best knowledge of the Company, for all the existing Yuen Tai Products, there is no comparable product with the same ingredients and/or formula available in the market which the Company can use for price comparison.

LETTER FROM VINCO FINANCIAL

Given price comparison is not available for the Yuen Tai Products, there is more flexibility in pricing by the Company. The Company shall strive for a higher gross profit margin that is not less than gross profit margin of approximately 21.2% and the Group will only accept the price if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products. In addition, under the 2024 Yuen Tai Master Distribution Agreement, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers and the Group is not obliged to purchase products from Yuen Tai if other independent third parties suppliers are able to offer comparable products to the Group at more favourable terms.

There are no pre-defined selling prices of the Yuen Tai Products in the 2024 Yuen Tai Master Distribution Agreement. In general, Yuen Tai will provide the Group with fee quotes on the Yuen Tai Products on an annual basis. If the fee quotes on the Yuen Tai Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin of approximately 21.2% (if comparable product is not available in the market), the price set out in the fee quote will be set as the actual unit price of the Yuen Tai Products in the purchase orders to be placed with Yuen Tai. If the fee quote is not accepted by the Group, the Group will re-negotiate with Yuen Tai on the price of the Yuen Tai Products based on the pricing policies set out above.

As disclosed in the Letter from the Board, 40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. The Group will only place orders with Yuen Tai upon receiving purchase orders from its customers.

In order to assess the pricing policy of purchase the Yuen Tai Products from Yuen Tai, we have also reviewed the lists of transactions under the 2021 Yuen Tai Master Distribution Agreement covering the period from 1 January 2022 to 30 September 2023 and selected 6 samples of invoices for the purchase of the Yuen Tai Products which represent approximately 100% of the total historical transaction amount under the 2021 Yuen Tai Master Distribution Agreement for the year ended 31 December 2022 and nine months ended 30 September 2023. There was no transaction for the year ended 31 December 2021. We consider setting the selection criteria with transaction amount of not less than 5% of the total historical transaction amount under each of the 2021 Master Distribution Agreement covering the highest transaction amount with at least 10 samples is sufficient for us to do the assessment. Although there are less than 10 selected samples of 2021 Yuen Tai Master Distribution Agreement, they cover 100% of such historical transaction amount. Therefore, we are of the view the selected samples meet the above mentioned criteria and are fair and representative. As confirmed with the management of the Group that the Yuen Tai Products are exclusive products and there is no product with the same formula sold in the market for the Company to compare the price. Given the uniqueness of the product we have obtained and reviewed the ingredients information of Fengbao Jianfu Capsule and Pu Ji Kang Gan Granule which described the function and

LETTER FROM VINCO FINANCIAL

ingredients of those products. We have reviewed the formulas of not less than 8 products which share similar function (such as Chinese medicine specialising in female health and common cold) while also being available in the same locations including Hong Kong and mainland China for Fengbao Jianfu Capsule and Pu Ji Kang Gan Granules, respectively and found that their ingredients are different from the Yuen Tai Product regardless the aforementioned two factors such as similar function and same location of its availability. Therefore, there is no applicable comparison of the similar products and no price comparison is available due to their uniqueness up to the Latest Practicable Date.

According to the profit calculation standard issued by the department of finance dated 1 December 2023, the price would be accepted with reference to a minimum gross profit margin of approximately 21.2% to ensure the Group will make profit from the distribution of the Yuen Tai Products. We have noted that the gross profit margin of the Company's product from Yuen Tai is not lower than 21.2% and hence is favourable to the Company. We believe the minimum profit margin set by the Company is fair and reasonable if Company would follow such recommendation to sell the Yuen Tai Products, taking into account the fact that the profit margin of the Yuen Tai Products was not less than such minimum profit margin mentioned above for the year ended 31 December 2022 and nine months ended 30 September 2023 pursuant to the sample of sales and purchase invoices obtained from the Company. Besides, we found the minimum gross profit margin of approximately 21.2% required for Yuen Tai Products is in line with the average gross profit margin for transactions in relation to the purchase of pharmaceutical and healthcare products (including the purchase from independent third parties suppliers) of the Group for the nine months ended 30 September 2023. Therefore, we are of the view the Group striving for a higher gross profit margin that is not less than approximately 21.2% when there is no available price comparison in the market to be fair, reasonable and on normal commercial terms. In addition, as set out above, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent suppliers and the Group is not obliged to purchase products from Yuen Tai if other independent suppliers are able to offer similar products to the Group at more favourable terms and as such, we are of the view that such arrangement is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

Pursuant to the samples of purchase invoices issued by Yuen Tai to the Group in relation to the transactions under the 2021 Yuen Tai Master Distribution Agreement and the corresponding sales invoices, we have noticed the selling price of the products to the Company's distributors are higher than the purchase price with the profit margin which the Company targeted at as aforementioned and is in favour of the Company.

LETTER FROM VINCO FINANCIAL

As advised by the Directors, since the Group is the exclusive distributor of the Yuen Tai Products in the Greater China, Yuen Tai only manufacturers and sells its pharmaceutical and healthcare products to the Group. Therefore, the deposit of the purchase price is necessary for Yuen Tai to procure new materials and for the payment of expenses in relation to the manufacturing of the pharmaceutical and healthcare products. Pursuant to the payment terms under the 2024 Yuen Tai Master Distribution Agreement, 40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. We understand the Group will only place orders with Yuen Tai upon receiving purchase orders from its customers. The transactions conducted under the 2021 Yuen Tai Master Distribution Agreement complied with such payment terms pursuant to the selected samples of purchase order and proof of payment. Also, we have reviewed 15 purchase contracts in relation to pharmaceutical and healthcare related products from other independent third parties suppliers or similar transactions as those under 2021 Yuen Tai Master Distribution Agreement in the market covering a period of the two years ended 31 December 2022 and the nine months ended 30 September 2023 and noted that it is a common practice for suppliers to requires payment of deposits upon ordering from the Group. From the samples we have obtained from the Company, we found that the independent third parties suppliers require the purchasers to pay the amount of deposits ranged from 50% of the purchase price to full payment before delivery of the products and hence the deposit amount requested under the 2024 Yuen Tai Master Distribution Agreement is no less favourable than the independent third parties suppliers. Therefore, we consider the payment term of the 2024 Yuen Tai Master Distribution Agreement is reasonable.

In the light of the above and in particular that: (i) the unit prices offered by Yuen Tai would not be higher than the selling price to ensure there is a profit for the Company; (ii) the Group has the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent suppliers; and (iii) the payment term of the Group has no significant inconsistency with the market practice, we are of the view that the terms of the 2024 Yuen Tai Master Distribution Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

Basis of the proposed annual caps in respect of the 2024 Yuen Tai Master Distribution Agreement

Review of historical figures

The following table sets out the historical transaction amounts and the annual caps between the Group and Yuen Tai in respect of the purchase and distribution of Yuen Tai Products under the 2021 Yuen Tai Master Distribution Agreement for two year ended 31 December 2022 and nine months ended 30 September 2023:

| | For the year ended 31 December 2021 | | | For the year ended 31 December 2022 | | | For the nine months ended 30 September 2023 | |
|--|---|-----------|--|-------------------------------------|------------|-------------------------------|---|-----------|
| | HKD | RMB | HKD | RMB | HKD | RMB | | |
| Continuing connected transactions | | | | | | | | |
| Purchase of Yuen Tai Products | | | | | | | | |
| Actual transaction amount | - (equivalent to approximately) | - | 114,000 (equivalent to approximately) | 97,000 | 3,083,000 | (equivalent to approximately) | | 2,613,000 |
| Historical annual caps | 5,620,000 (equivalent to approximately) | 4,734,000 | 10,700,000 (equivalent to approximately) | 9,014,000 | 11,770,000 | (equivalent to approximately) | | 9,915,000 |
| Utilisation rate (based on the historical annual caps) | 0.00% | | 1.07% | | | 26.19% | | |

There was no purchase of Yuen Tai Products for the year ended 31 December 2021 as there was a significant reduction in the trading activities and the corresponding implementation of the infection prevention measures such as the lockdowns and closure of borders in 2020. The medical related facilities were fully deployed to fight the pandemic and therefore the sale of the Yuen Tai Products dropped sharply in the market. Hence, the Group and its customers have sufficient inventories of the Yuen Tai Products in the 2021 and the Group did not purchase any Yuen Tai Products for the year ended 31 December 2021. Also, the Group terminated the distributor at the end of 2022 due to the change of business strategy therefore the sales has not yet been recovered in 2022. As discussed with the management of the Group, there would be a new experienced distributor for the sales of Yuen Tai Product and Company expected the purchase in the coming three years would be required in order to meet the target of sales. Also, we have received the purchase order from this distributor regarding the expected quantity to be purchased from Yuen Tai for the three years ending 31 December 2026 from the Company.

LETTER FROM VINCO FINANCIAL

Proposed annual caps

The following table sets out the respective proposed annual caps of the continuing connected transactions under the 2024 Yuen Tai Master Distribution Agreement for the three years ending 31 December 2026:

| 2024 Yuen Tai Master Distribution Agreement | | | For the year ending 31 December 2024 | | | | For the year ending 31 December 2025 | | | | For the year ending 31 December 2026 | |
|--|------------|--------------------------------------|---|------------|--------------------------------------|------------|---|--------------------------------------|------------|------------|---|------------|
| | <i>HKD</i> | | <i>RMB</i> | <i>HKD</i> | | <i>RMB</i> | <i>HKD</i> | | <i>RMB</i> | <i>HKD</i> | | <i>RMB</i> |
| Proposed annual caps | 4,032,000 | <i>(equivalent to approximately)</i> | 3,417,000 | 5,707,000 | <i>(equivalent to approximately)</i> | 4,837,000 | 8,981,000 | <i>(equivalent to approximately)</i> | 7,611,000 | | | |

In our assessment of the reasonableness of the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement, we have reviewed the estimation of the Group on the total purchases of the Yuen Tai Products from Yuen Tai for the three financial years ending 31 December 2026 and the underlying bases and assumptions respectively. As stated in the Letter from the Board, the Directors have taken into account the following factors in arriving at the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement:

- (i) the historical figures of the actual transaction amounts under the 2021 Yuen Tai Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022; and the unaudited actual transaction amount for the nine months ended 30 September 2023. As discussed earlier, the low transaction under the 2021 Yuen Tai Master Distribution Agreement was due to the pandemic and termination of the sales contract with distributor which we collected the proof of termination indicated the sales distribution through its original distributor being ceased since November 2022. Also, the Company takes time to adjust its sales channel including a more diligent approach to investigate the new distributors in 2023 and hence the utilisation rate is low. Also, pursuant to “Notice on Issuing the 2023 Key Points for Correcting Malpractices in Medical Purchase and Sales and Medical Services” *(關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知) dated 10 May 2023 issued by the Department of Medical Emergency Response of the National Health Commission* (國家衛生健康委員會醫療應急司), we understand many hospitals had suspended the purchase and sales of medical products and non-basic medical products in the pharmaceutical and medical field and hence the hospitals suspended the purchase of certain products including Yuen Tai Products as they are considered as non-basic medical products. We confirmed with the management of the Company that such guideline affects the sales of Yuen Tai Products therefore the purchases of Yuen Tai Products dropped in 2023. However, the sales would be distributed on platforms without violating the above restriction and guideline advised by the government in the coming three years and hence the sales and purchase of Yuen Tai Products are expected to be resumed;

LETTER FROM VINCO FINANCIAL

- (ii) the expected increase in the unit price of the Yuen Tai Products due to the increase in the price of raw materials; and
- (iii) the expected increase in demand for different pharmaceutical and healthcare products from customers based on the three-year sales forecast received from the Group's main distributor. The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products. Our analysis of the planned purchase quantity and estimated unit price would be provided in point (i) to (v) below respectively.

Proposed annual caps = Planned purchase quantity x Estimated unit price

We have discussed with the Company regarding the above factors, and we concur with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the Yuen Tai annual caps at the proposed levels, after performing our assessment on the following considerations:

- (i) the purchase forecast of Yuen Tai Products for the three years ending 31 December 2026 proposed by the management of the Group after evaluating the current market condition. We found that the PRC government proposed to boost the birth rate including granting subsidies for families raising child, increasing maternity leave and improving access to fertility treatments pursuant to the meeting of China's People's Political Consultative Conference in the past two years. It is reasonable to expect the demand of medical products related to fertility and women's health, such as Fengbao Jianfu Capsules (鳳寶牌健婦膠囊), one of the Yuen Tai Products would increase;
- (ii) the purchase order plan of Fengbao Jianfu Capsules (鳳寶牌健婦膠囊) issued by the Group's main distributor we obtained from the Company. Accordingly, we noted that such purchase amount expected from this independent third party distributor is over 80% of the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement on average for the three years ending 31 December 2026 and the estimated total amount of purchase of Fengbao Jianfu Capsules (鳳寶牌健婦膠囊) attributable to such customer in 2024, 2025 and 2026 is expected to be not less than HK\$3.18 million, HK\$4.77 million and HK\$7.95 million, respectively. We found such estimated purchase amount is calculated by multiplying the estimated purchase quantity by the estimated purchase price mentioned in point (iii) and (iv) below respectively;
- (iii) the estimated purchase quantity of the Yuen Tai Products is expected to be increased by not less than 40% from 2024 to 2025 and by not less than 50% from 2025 to 2026 based on the purchase order plan made by the independent third party distributor as discussed in point (ii);

LETTER FROM VINCO FINANCIAL

- (iv) the estimated unit price of one of the Yuen Tai Products which its expected purchase amount would be over 80% of the proposed annual caps under the 2024 Yuen Tai Master Distribution Agreement would be increased by approximately 33.61% from the existing annual caps under the 2021 Yuen Tai Master Distribution Agreement to the proposed annual caps contemplated under the 2024 Yuen Tai Master Distribution Agreement by comparing the purchase price stated on the samples of invoice under the 2021 Yuen Tai Master Distribution Agreement and the expected purchase price for transactions under the 2024 Yuen Tai Master Distribution Agreement stated on the internal document prepared by the department of finance of SZ Kingworld, which both documents are obtained from the Company.

Also, we are advised by the management the increase in unit price is due to the increase in the price of the main ingredient. In order to access to the market price of those ingredients, we obtained the Chinese medicine price index from the website of Kangmei Pharmaceutical Co. Ltd (stock code: 600518) (source: <https://cnkmprice.kmzyw.com.cn/>). Pursuant to the letter issued by the National Development and Reform Commission (the “DNRC”) to the Price Bureau of Guangdong Province dated 6 August 2012, Kangmei has been authorized to release the Chinese medicine price index according to the guidance and instruction from DNRC. As such, we believe the market price provided by Kangmei is a reliable source to understand the reasonableness of the price of the main ingredients of Yuen Tai Products. We found the increase in the price index of the main ingredients is approximately 96% on average compared with 2021 and 2023 based on the Chinese medicine price index from Kangmei Pharmaceutical Co. Ltd, we are of the view that an increase in the above-mentioned expected purchase price of Yuen Tai Products is reasonable; and

- (v) the estimated purchase price of the Yuen Tai Products is expected to be charged according to the quotation issued by Yuen Tai which we have obtained from the Company. The estimated purchase price of the Yuen Tai Products would not be higher than the sales price for the Company to contribute to its customers and the expected profit. Due to the commercial sensitivity and concern of its confidentiality for the Group to carry on of its distribution business, we do not find disclosing the Group’s estimated average unit price would be in the interest of the Company and the Shareholders as a whole because this would make the Group lose out in the competitive distribution business and make an adverse impact on the Group’s negotiations with suppliers and customers and its market development. However, based on the samples we collected from the Company including the purchase invoices issued by Yuen Tai and the sales invoices sent to the customers regarding the Yuen Tai Products for the period from 1 January 2022 to 30 September 2023, we found there was a gross profit margin of not less than 21.2% as the guidance suggested by the Company to ensure the Group will make profit from the distribution of the Yuen Tai Products. Hence, we believe the estimated purchase price of the Yuen Tai Products under the 2024 Yuen Tai Master Distribution

LETTER FROM VINCO FINANCIAL

Agreement is reasonable and not less favourable to the Group if such pricing strategy is continually arranged in such approach in the coming three years when price comparison is not applicable.

Based on the factors and reason discussed above, we are of the view that the proposed annual caps for the 2024 Yuen Tai Master Distribution Agreement were set by the Company after due and careful consideration and are reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as whole.

B. 2024 SZ Kingworld Lifeshine Master Distribution Agreement

Principal terms of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement

- 1. Date:** 15 December 2023
- 2. Parties:** (a) SZ Kingworld, a wholly-owned subsidiary of the Company; and (b) SZ Kingworld Lifeshine.
- 3. Description of the transactions:** Pursuant to the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, SZ Kingworld or a wholly-owned subsidiary of the Company shall purchase the SZ Kingworld Lifeshine Products from SZ Kingworld Lifeshine and SZ Kingworld shall act as the exclusive distributor for distribution of the SZ Kingworld Lifeshine Products in the Greater China.
- 4. Condition precedent:** The 2024 SZ Kingworld Lifeshine Master Distribution Agreement shall take effect subject to and conditional upon obtaining the Independent Shareholders' approval in respect of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement.
- 5. Term:** The 2024 SZ Kingworld Lifeshine Master Distribution Agreement is for a term commencing from 1 January 2024 or the date on which the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the transactions under the agreement are approved by the Independent Shareholders (whichever is later) and ending on 31 December 2026 (both days inclusive).
- 6. Pricing Policy:** The 2024 SZ Kingworld Lifeshine Master Distribution Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The terms and conditions (including but not limited to the prices) on which the SZ Kingworld Lifeshine Products are to be purchased by the Group should be on normal commercial terms and no less favourable than those obtained from independent third parties by the Group. The Group will satisfy the consideration of such purchases by its internal resources.

LETTER FROM VINCO FINANCIAL

The prices of the SZ Kingworld Lifeshine Products to be purchased by the Group will be based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the SZ Kingworld Lifeshine Products as from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. If price comparison is not applicable, the price offered by SZ Kingworld Lifeshine would be accepted by the Group if a minimum gross profit margin of approximately 21.2% can be met to ensure the Group will make profit from the distribution of the SZ Kingworld Lifeshine Products. The Group currently maintains a minimum target gross profit margin of approximately 21.2% on average for the distribution of all pharmaceutical and healthcare products where comparable products are not available in the market, which is equally applicable to SZ Kingworld Lifeshine and other independent third parties suppliers. In determining the minimum gross profit margin, the Group has, among others, conducted market research, considered product costs and market competitions. The minimum gross profit margin may be subject to adjustments should there be changes in the market conditions, to ensure that the Group meets market demand and maintains competitiveness. Besides, we collected the historical data regarding the highest, lowest and average gross profit margin of the pharmaceutical and health products of the Group for the two years ended 31 December 2022 and the nine months ended 30 September 2023 from the Company and found the minimum gross profit margin of approximately 21.2% is based on the Group's average gross profit margin for the transactions in relation to the purchase of pharmaceutical and healthcare products for the nine months ended 30 September 2023. The Group shall strive for a higher gross profit margin that is not less than gross profit margin of approximately 21.2%.

The actual amounts, types, unit prices, delivery dates and methods of delivery of the SZ Kingworld Lifeshine Products to the Group will be subject to individual orders placed by the Group and accepted by SZ Kingworld Lifeshine. To the extent that a comparison can be made (subject to similar nature (based on the ingredients and formulae of the products), quality, quantity of purchase and conditions of the products and/or services), the Company and/or SZ Kingworld shall conduct research on the market price of similar products sold by other independent third parties and use its best efforts to obtain price quotations from at least two independent third parties for comparison purposes (if applicable), to determine whether the prices and/or terms offered by SZ Kingworld Lifeshine are fair and reasonable, and are similar to or more favourable than those offered by the independent third party(ies). In addition, under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent third parties suppliers and the Group is not obliged to purchase products from SZ Kingworld Lifeshine if other independent third parties suppliers are able to offer comparable products to the Group at more favourable terms.

LETTER FROM VINCO FINANCIAL

There are no pre-defined selling prices of the SZ Kingworld Lifeshine Products in the 2024 SZ Kingworld Lifeshine Master Distribution Agreement. In general, SZ Kingworld Lifeshine will provide the Group with fee quotes on the SZ Kingworld Lifeshine Products on an annual basis. If the fee quotes on the SZ Kingworld Lifeshine Products are acceptable by the Group after the Group has conducted price comparison (if comparable product is available in the market) and/or meet a minimum gross profit margin of approximately 21.2% (if comparable product is not available in the market), the price set out in the fee quote will be set as the actual unit price of the SZ Kingworld Lifeshine Products in the purchase orders to be placed with SZ Kingworld Lifeshine. If the fee quote is not accepted by the Group, the Group will re-negotiate with SZ Kingworld Lifeshine on the price of the SZ Kingworld Lifeshine Products based on the criterion set out above.

Taking into consideration of the above, the Board considers the above assessment can ensure the fairness and reasonableness of the selling prices of the SZ Kingworld Lifeshine Products to the Group.

As disclosed in the Letter from the Board, 40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. The Group will only place orders with SZ Kingworld Lifeshine upon receiving purchase orders from its customers.

Regarding the pricing policy of purchase the SZ Kingworld Lifeshine Products from SZ Kingworld Lifeshine, we have reviewed other continuing connected transactions in relation to purchases made by the listed companies from their connected persons and noted that their pricing policies are similar to the above one under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, that it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two independent suppliers to assess whether the purchase of the similar products from the connected person is on normal commercial terms. Also as discussed below, the Group has adopted the above pricing policy in the past and we have also reviewed the lists of transactions under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement covering period from 1 January 2021 to 30 September 2023 and selected 15 samples which represented not less than 5% of the total historical amount within the above mentioned period, including but not limited to the purchase invoice and their relevant proof of payment for the purchase of the SZ Kingworld Lifeshine Products. We consider setting the selection criteria with transaction amount of not less than 5% of the total historical transaction amount under each of the 2021 Master Distribution Agreement covering the highest transaction amount with at least 10 samples is sufficient for us to do the assessment. Therefore, we are of the view the selected samples meet the above mentioned criteria and are fair and representative. As confirmed with the management of the Group that the Company would conduct a search on the market price of similar products sold by other independent third parties and consider these references in relation to the unit price for similar products in the market and noted that the price of the SZ Kingworld Lifeshine Products offered by SZ Kingworld Lifeshine was no less favourable than those offered by other independent suppliers. In addition, as set out above, the Group shall have the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent suppliers and the

LETTER FROM VINCO FINANCIAL

Group is not obliged to purchase products from SZ Kingworld Lifeshine if other independent suppliers are able to offer products to the Group at more favourable terms and as such, we are of the view that such arrangement is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

As mentioned above, we have obtained samples of purchase invoices issued by SZ Kingworld Lifeshine to the Group in relation to the transactions under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement and also the corresponding purchase information on similar products with SZ Kingworld Lifeshine and other independent suppliers. After reviewing the internal market research documents provided by the Company, we have understood the Company compared the unit prices of the products with similar function and ingredients of SZ Kingworld Lifeshine Products offered by the independent third parties to the Group with those offered by SZ Kingworld Lifeshine and have found the price offered by SZ Kingworld Lifeshine to be no less favourable than those offered by independent third parties. Up to the Latest Practicable Date, there are no products under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement having difficulty to obtain price quotations from at least two independent third parties for comparison purposes to determine whether the prices and/or the terms offered by SZ Kingworld Lifeshine are fair and reasonable, and are similar to or more favourable than those offered by the independent third parties.

As advised by the Directors, since the Group is the exclusive distributor of the SZ Kingworld Lifeshine Products in the Greater China, SZ Kingworld Lifeshine only manufacturers and sells its Imada Red Flower Oil to the Group. Therefore, the deposit of the purchase price is necessary for SZ Kingworld Lifeshine to procure new materials and for the payment of expenses in relation to the manufacturing of the pharmaceutical and healthcare products. We understand the Group will only place orders to SZ Kingworld Lifeshine upon receiving purchase orders from its customers. The transactions conducted under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement complied with such payment terms pursuant to the selected samples of purchase order and proof of payment. As disclosed in the payment terms under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, 40% of the purchase price shall be paid in advance by the Group within three days after the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection. Also, we have reviewed 15 purchase contracts in relation to pharmaceutical and healthcare products from other independent third parties suppliers or similar transactions as those under 2021 SZ Kingworld Lifeshine Master Distribution Agreement in the market covering a period of the two years ended 31 December 2022 and the nine months ended 30 September 2023 and noted that it is a common practice for suppliers to require payment of deposits upon ordering from the Group. From the samples we have obtained from the Company, we found that the independent third parties suppliers require the purchasers to pay the amount of deposits ranged from 50% of the purchase price to full payment before delivery of the products and hence the deposit amount requested under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement is no less favourable than the independent third parties suppliers. Therefore, we consider the payment term of the 2024 SZ Kingworld Lifeshine Master distribution Agreement is reasonable.

LETTER FROM VINCO FINANCIAL

In the light of the above and in particular that: (i) the pricing policy of the Group is similar to those of other listed companies; (ii) the unit prices and the terms of purchase offered by SZ Kingworld Lifeshine are no less favourable than those offered by other independent suppliers; (iii) the Group has the right to terminate or cancel the transactions if the terms and conditions are less favourable to the Group than those offered by other independent suppliers and (iv) the payment term of the Group has no significant inconsistency with the market practice, we are of the view that the terms of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

A. Basis of the proposed annual caps in respect of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement

Review of historical figures

The following table sets out the historical transaction amounts and the annual caps between the Group and SZ Kingworld Lifeshine in respect of the purchase and distribution of SZ Kingworld Lifeshine Products under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023:

| | For the year ended 31 December 2021 | | | For the year ended 31 December 2022 | | | For the nine months ended 30 September 2023 | | |
|--|--|--|------------|--|------------|--|--|--|--|
| | HKD | RMB | HKD | RMB | HKD | RMB | | | |
| Continuing connected transactions Purchase of SZ Kingworld Lifeshine Products | | | | | | | | | |
| Actual transaction amount | 33,801,000 | (equivalent to approximately) 28,645,000 | 37,320,000 | (equivalent to approximately) 31,627,000 | 18,024,000 | (equivalent to approximately) 15,275,000 | | | |
| Historical annual caps | 46,510,000 | (equivalent to approximately) 39,180,000 | 52,564,000 | (equivalent to approximately) 44,280,000 | 62,061,000 | (equivalent to approximately) 52,280,000 | | | |
| Utilisation rate (based on the historical annual caps) | 73.11% | | | 71.43% | | | 29.22% | | |

LETTER FROM VINCO FINANCIAL

For the two years ended 31 December 2022 and for the nine months ended 30 September 2023, the total amount of historical transactions of SZ Kingworld Lifeshine Products purchased by the Group from SZ Kingworld Lifeshine were RMB28,645,000, RMB31,627,000 and RMB15,275,000 respectively. As at the Latest Practicable Date, the purchase of SZ Kingworld Lifeshine Products did not exceed the annual caps for the year ending 31 December 2023. The low utilization rate of SZ Kingworld Lifeshine is due to the decline in sales since the selling price has increased from April 2022.

Proposed annual caps

The following table sets out the respective proposed annual caps of the continuing connected transactions under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement for the three years ending 31 December 2026:

| 2024 SZ | | | | | | | | | |
|----------------------|------------|-------------------------------|------------|------------|-------------------------------|------------|-------------|-------------------------------|-------------|
| Kingworld | | For the year | | | For the year | | | For the year | |
| Lifeshine Master | | ending | | | ending | | | ending | |
| Distribution | | 31 December | | | 31 December | | | 31 December | |
| Agreement | | 2024 | | | 2025 | | | 2026 | |
| | HKD | | RMB | HKD | | RMB | HKD | | RMB |
| Proposed annual caps | 58,032,000 | (equivalent to approximately) | 49,180,000 | 98,950,000 | (equivalent to approximately) | 83,856,000 | 145,535,000 | (equivalent to approximately) | 123,335,000 |

In our assessment of the reasonableness of the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, we have reviewed the estimation of the Group on the total purchases of the SZ Kingworld Lifeshine Products from SZ Kingworld Lifeshine for the three years ending 31 December 2026 and the underlying basis and assumptions respectively. As stated in the Letter from the Board, the Directors have taken into account the following factors in arriving at the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement:

- (i) the historical figures of the actual transaction amounts under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the years ended 31 December 2021 and 31 December 2022 and the unaudited actual transaction amount for the nine months ended 30 September 2023. As discussed earlier, the low transaction under the 2021 SZ Kingworld Lifeshine Master Distribution Agreement for the nine months ended 30 September 2023 is due to the drop in sales since the selling price has raised since April 2022; and
- (ii) the expected increase in demand for different pharmaceutical and healthcare products from customers.

LETTER FROM VINCO FINANCIAL

The proposed annual caps are calculated by multiplying the planned purchase quantity by the estimated unit price of the products. Our analysis of the planned purchase quantity and estimated unit price would be provided in point (i) to (v) below respectively.

$$\text{Proposed annual caps} = \text{Planned purchase quantity} \times \text{Estimated unit price}$$

We have discussed with the Company regarding the above factors and concur with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the SZ Kingworld Lifeshine annual caps at the proposed levels, after performing the following considerations:

- (i) the purchase forecast plan of SZ Kingworld Lifeshine Products for the three years ending 31 December 2026 proposed by the management of the Group. We found that the expected purchase amount of Imada Red Flower Oil (the “**Existing SZ Kingworld Lifeshine Products**”) is not less than 70% of the SZ Kingworld Lifeshine Products under 2024 SZ Kingworld Lifeshine Mater Distribution Agreement for each of the three years ending 31 December 2026. The estimated purchase quantity for the Imada Red Flower Oil is approximately 6.22 million bottles, 10.30 million bottles and 14.71 million bottles for the coming three years respectively according to the forecast plan. Regarding the purchase forecasts provided by the Company, we have performed below desktop search and noted that the expected increase in demand for the Imada Red Flower Oil is driven by factors such as (a) aging population in the PRC which would lead to an increase in the number of customers. According to the latest data published in National Bureau of Statistics of China (source: <https://www.stats.gov.cn/sj/ndsj/2022/indexch.htm>), we found the population in the age of 65 and above was approximately 128 million in 2012 and 201 million in 2021, which is an increase of approximately 57% over a decade. Also, we studied the analysis of PRC's demographic trends and implication based on the seventh national population census issued by KPMG, a multinational professional services firm (source: <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2021/07/china-demographic-trends-and-implications-for-business.pdf>) and found the population in the age of 65 and over in PRC is expected to reach at around 247 million in 2030 in the PRC. Furthermore, Imada Red Flower Oil would help relieving pain, promoting blood circulation and dispelling cold as introduced under product description on the website of SZ Kingworld Lifeshine (source: <https://www.kingworldlifeshine.com/hhyjs>). We noted those are some common and chronic diseases which elderly often suffer from according to the statistics we collected from the report named Musculoskeletal and Joint Pain in 2022 China Consumer Health Insights Report*(《2022年中國消費者健康洞察報告》「肌肉骨骼關節疼痛篇」) issued by Sinohealth, a PRC leading high-tech company powered by big data for health industry (source: <https://www.sinohealth.cn/sys-nd/657.html>), that middle-aged and elderly are affected by joint de generation, long-term strain and the corresponding severe chronic pain and there is approximately 60% of the patient would be suffered by those symptoms persistently for three years or less; and (b) improved awareness of

LETTER FROM VINCO FINANCIAL

personal health protection and purchasing power of patients after the ease of prevention and control measures under the outbreak of COVID-19 pandemic, which would result in an increase in purchase amount per customer. We noticed the “Health China 2030” promulgated in 2016 and “14th Five-Year Plan” promulgated in 2021 by the government in PRC both emphasized the strategic importance of the healthcare industry in China’s development plan. We are of the view the innovations in the healthcare industry have been continuously enhancing the medical capabilities of service providers and the experiences of the service receivers, which increases the customers’ willingness to pay. Moreover, we obtained the report named “Global Use of Medicines 2023” issued by IQVIA, the leading global provider of advanced analytics, technology solutions and clinical research services to the life sciences industry platform on 18 January 2023 and we found medicine spending in China has risen from USD93 billion in 2013 to USD166 billion in 2022, and it is forecasted to reach USD194 billion by 2027, representing an approximately 17% of increase in medicines expenditure in the next five years. Therefore, we consider the accelerated aging population, along with favorable policies would enhance a growing market for the Imada Red Flower Oil;

- (ii) the expected expansion of its distribution scale resulting in a possible increase in the value of transactions to be entered into between the Group and SZ Kingworld Lifeshine. As confirmed by the management of the Company, the retail outlets which sell the SZ Kingworld Lifeshine Products will be increased from approximately 176,000 at the end of 2024 to approximately 240,000 at the end of 2025 and approximately 308,000 at the end of 2026.

As discussed with the management of the Company and the data of retail outlets and their corresponding sales generated by SZ Kingworld Lifeshine Products obtained from the Company, we found (a) the expected sales of the Existing SZ Kingworld Lifeshine Products is determined by the expected number of retail outlets and the historical average sales generated per retail outlets for the two years ended 31 December 2022 and the nine months ended 30 September 2023; (b) based on the expected sales in above, the sales distributor of SZ Kingworld is expected to procure approximately RMB39 million, RMB60 million and RMB82 million of the Existing SZ Kingworld Lifeshine Products for the three years ending 31 December 2026 in order to meet the sales plan with the above mentioned expansion of retail outlets taking into account that (c) the expected purchase amount of the Existing SZ Kingworld Lifeshine Products is over 70% of the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement on average for the three years ending 31 December 2026. We also reviewed the location of retail outlets which sell the SZ Kingworld Lifeshine Products and found that the number of cities covered for the retail will be increased from 292 for the nine months ended 30 September 2023 to 308 for the year ending 31 December 2024;

LETTER FROM VINCO FINANCIAL

- (iii) the expected growth of the demand for different pharmaceutical and healthcare products from customers discussed in point (i) due to the expansion of the Group's distribution network and marketing promotion, such as online retail platform and events sponsorship. Pursuant to the news we found on the website of state council of PRC regarding the national online retail sales in 2022 (source: https://www.gov.cn/xinwen/2023-01/31/content_5739339.htm), we noted the national online retail sales was approximately RMB13.79 trillion in 2022, an increase of 4% compared with 2021. Also, the e-commerce platform provides more than 120 million live broadcasts with over 1.1 trillion of views to expand and cover retail products.

Besides, as stated in Letter from the Board, the Group would increase marketing efforts to promote sales such as sponsoring of marathons and other events to strengthen brand awareness and reputation of the products. Based on the sales data of SZ Kingworld Lifeshine Products we obtained from the Company, we found that the month to month increase in sales ranged from approximately 151% to approximately 615% in cities where the marathon was sponsored by the Group in 2023. Also, as discussed with the management of the Company, the Group is expected to sponsor at least ten marathons in various cities 2024. Therefore, we are of the view that both the online distribution network and event sponsorship would be a positive marketing strategy for the Group to distribute its products and this would require the procurement of SZ Kingworld Lifeshine Products to meet the need of such expected growth.

- (iv) the estimated purchase price of the SZ Kingworld Lifeshine Products is expected to be charged based on the prevailing market prices of similar products (based on the ingredients and formulae of the products) and the unit prices of the SZ Kingworld Lifeshine Products as from time to time and will be no less favourable to the Group than those terms offered by other independent third parties suppliers, where there is comparable product available in the market. Due to the commercial sensitivity and concern of its confidentiality for the Group to carry on of its distribution business, we do not find disclosure of the Group's estimated average unit price would be in the interest of the Company and the Shareholders as a whole because this would make the Group lose out in the competitive distribution business and make an adverse impact on the Group's negotiation with suppliers and customers and its market development. However, based on the market price of comparable products of SZ Kingworld Lifeshine Products we collected from the Company, we compared the unit prices of the products with similar function and ingredients of SZ Kingworld Lifeshine Products offered by the independent third parties to the Group with those offered by SZ Kingworld Lifeshine and found the price offered by SZ Kingworld Lifeshine to be no less favourable than those offered by independent third parties; and

LETTER FROM VINCO FINANCIAL

- (v) the various new products other than the Existing SZ Kingworld Lifeshine Products are expected to purchase from SZ Kingworld Lifeshine based on the expected sales plan for the three years ending 31 December 2026. Pursuant to the market research obtained from the Company, we found the expected purchase price of the new products under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement is lower than the purchase price offered by the independent third parties on similar products of SZ Kingworld Lifeshine Products.

According to the expected distribution scale mentioned in point (ii), we found the expected purchase amount of new SZ Kingworld Lifeshine Products is approximately 27% of the proposed annual caps under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement on average for the three years ending 31 December 2026 with the assumption of those new products would be also distributed in the same sales channel of the Existing SZ Kingworld Lifeshine Products.

We found the expected sales amount of the two main new products under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement is less than 1% of the total sales of similar products in the market pursuant to the research conducted. Hence, we are of the view of the expected price and quantity of the new products to be purchased from the SZ Kingworld are reasonable.

B. Conclusion

Based on the factors and reason discussed above, we are of the view that the proposed annual caps of the 2024 SZ Kingworld Lifeshine Master Distribution Agreement were set by the Company after due and careful consideration and are reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as whole.

INTERNAL CONTROL MEASURES GOVERNING THE 2024 MASTER DISTRIBUTION AGREEMENTS

As confirm by the Director, the Company will adopt the following internal control procedures to govern the continuing connected transactions of the Company under the 2024 Master Distribution Agreements:

- (i) The internal control department of the Group (the “**Internal Control Department**”) will manage and monitor the transactions to be entered under the 2024 Master Distribution Agreements. The Internal Control Department will conduct review on the prices of products of similar specification and quality in the market on an annual basis and ensure that the purchase prices of the Yuen Tai Products and SZ Kingworld Lifeshine Products are fair and reasonable and where there is no comparable product available in the market, the purchase price should be determined by arm’s length basis and on normal commercial terms. We have assessed the internal control policy for continuing connected transactions of the Group and we are of the view that such internal control procedure abided by the internal control framework can effectively

LETTER FROM VINCO FINANCIAL

assure that the existing and possible future agreements entered and to be entered with any connected parties are and will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. According to the profit calculation standard issued by the department of finance dated 31 December 2022, the purchase price offered by Yuen Tai and SZ Kingworld Lifeshine would be accepted by the Group if a minimum gross profit margin can be met to ensure the Group will make profit from the distribution of the Yuen Tai Products and SZ Kingworld Lifeshine Products. We also noted that the profit margin of the Yuen Tai Products is not lower than the required minimum margin and is no less favourable than the pharmaceutical products supplied by other independent suppliers. As such, we are of the view that the internal control measures are sufficient for both products without price comparison in the market and products which can be compared with independent third party(ies).

As confirmed by the management of the Company, the Internal Control Department will closely monitor and record the transaction amount of each order under the 2024 Master Distribution Agreements, conduct price comparison on an annual basis, submit the procurement plans and status reports to the executive Directors and the company secretary of the Company on a monthly basis, and report to the audit committee of the Board on a semi-annual basis. We believe this control procedures could ensure that the proposed annual caps will not be exceeded and the continuing connected transactions are conducted in accordance with the pricing policies under the 2024 Master Distribution Agreements.

- (ii) The management of the Company will discuss with the independent non-executive Directors if there is any potential compliance issue during the term of the 2024 Master Distribution Agreements and where necessary, seek advice from professional parties such as legal advisers and/or auditor.
- (iii) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the 2024 Master Distribution Agreements are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the 2024 Master Distribution Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (iv) The Company's auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm pursuant to Rule 14A.56 of the Listing Rules on, among others, whether (a) the transactions under the 2024 Master Distribution Agreements have been approved by the Board; (b) the transactions were entered into, in all material respects, in accordance with the 2024 Master Distribution Agreements governing the transactions; and (c) the relevant proposed annual caps have not been exceeded. We have reviewed the independent auditor's assurance report on continuing connected transactions dated 30 March 2023 in relation to the 2021 Yuen Tai Master Distribution Agreement and 2021 SZ Kingworld Lifeshine

LETTER FROM VINCO FINANCIAL

Master Distribution Agreement. As such we are of the view that the Company's auditor will review as the previous year for the transactions under the 2024 Master Distribution Agreements to confirm whether the transactions thereunder not to exceed the annual cap on a year basis.

RECOMMENDATION

Having taken the above principal factors and reasons, we considered that (i) the 2024 Master Distribution Agreements is in the ordinary and usual course of business of the Group; (ii) the terms of the 2024 Master Distribution Agreements are fair and reasonable, and that it is in the interests of the Company and the Shareholders as a whole to enter into the proposed transactions with Yuen Tai and SZ Kingworld Lifeshine respectively; and (iii) the proposed annual caps for the three years ending 31 December 2026 for each of the 2024 Master Distribution Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving the 2024 Master Distribution Agreements and their respective proposed annual caps for the three years ending 31 December 2026.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

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 in this circular misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) 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 provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, and based on the information available to the Company, were as follows:

(I) *Interests in the shares in the Company*

| Name of Directors | Capacity/Nature of interest | Number of shares in the Company held | Approximate percentage of the Company's total issued share capital |
|------------------------------|--------------------------------------|--------------------------------------|--|
| Mr. Zhao ^(Note 1) | Beneficial owner | 22,416,000 | 3.60% |
| | Interest of spouse | 90,192,000 | 14.49% |
| | Interest of a controlled corporation | 297,812,250 | 47.84% |
| Ms. Chan ^(Note 2) | Beneficial owner | 192,000 | 0.03% |
| | Interest of spouse | 320,228,250 | 51.44% |
| | Interest of a controlled corporation | 90,000,000 | 14.46% |

| Name of Directors | Capacity/Nature of interest | Number of shares in the Company held | Approximate percentage of the Company's total issued share capital |
|--------------------------------|-----------------------------|--------------------------------------|--|
| Zhou Xuhua ^(Note 3) | Beneficial owner | 124,000 | 0.02% |
| | Interest of spouse | 2,380,000 | 0.38% |
| Zhang Jianbin | Beneficial owner | 108,000 | 0.02% |
| Duan Jidong | Beneficial owner | 72,000 | 0.01% |
| Wong Cheuk Lam | Beneficial owner | 72,000 | 0.01% |

Notes:

1. In addition to 22,416,000 shares which are beneficially owned by Mr. Zhao, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,004,250 shares in the Company. These shares are held in the following capacities:
 - (a) 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Mr. Zhao is deemed to be interested in the 297,812,250 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.
 - (b) 192,000 shares are held by Ms. Chan, the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 192,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.
2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 410,420,250 shares in the Company. These shares are held in the following capacities:
 - (a) 192,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.
 - (b) 22,416,000 shares are held by Mr. Zhao, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 22,416,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.
3. 124,000 shares are held by Mr. Zhou Xuhua (“**Mr. Zhou**”) in his own name and Mr. Zhou is also deemed (by virtue of the SFO) to be interested in 2,380,000 shares in the Company held by his spouse, Ms. Huang Xiaoli.

(II) Interests in the shares of the associated corporations of the Company

| Name of Directors | Name of associated corporations | Capacity/Nature of interest | Percentage of shareholding |
|-------------------|---------------------------------|-----------------------------|----------------------------|
| Mr. Zhao | Golden Land | Beneficial owner | 100% |
| Ms. Chan | Golden Morning | Beneficial owner | 100% |

As at Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions 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) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, save as the following: (i) leases by SZ Kingworld from SZ Industry, an indirect wholly-owned subsidiary of Kingkok Investment Holdings Limited (金國投資控股有限公司), which is 80% held by Mr. Zhao and 20% held by Ms. Chan; (ii) the website domain name, i.e. kingworld.com.cn, usage authorisation granted from SZ Industry to SZ Kingworld; and (iii) the trademark usage authorisations given from SZ Industry to SZ Kingworld, none of the Directors had any direct or indirect interest in any assets since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased from or to any member of the Group, or are proposed to be acquired or disposed of by or leased from or to any member of the Group:

- (i) Rooms 201, 302 and 303 of Building 331, Lian Tang Gang Lian Er Cun, Shenzhen (深圳市蓮塘港蓮二村331棟201、302、303室) with a site area of approximately 224.37 square meters, for accommodation purpose, for a term commencing from 1 January 2024 to 31 December 2024, at a monthly rental of RMB12,200 (the “**Property Lease Agreement**”);

- (ii) Rooms 501 and 503 of Building 2, Hong Gang Garden, Shenzhen (深圳市紅崗花園二棟501室、503室) with a site area of approximately 121.72 square meters, for accommodation purpose, for a term commencing from 1 January 2024 to 31 December 2024, at a monthly rental of RMB8,400 (the “**Hong Gang Property Lease Agreement**”);
- (iii) the advertising space on the external wall, west door and three sides of the advertising space of Jin Shi Jie Business Center, Dongmen, Shenzhen (深圳市東門金世界商業中心外牆及西門口上方和三面翻廣告位), for advertising purpose, for a term commencing from 1 January 2024 to 31 December 2024, at a rental of RMB150,000 per year (the “**Advertising Space Lease Agreement**”);
- (iv) the authorisation letter for the use of the domain name kingworld.com.cn granted from SZ Industry to SZ Kingworld at nil consideration for a term commencing from 1 July 2021 to 30 June 2024 (the “**Letter of Authorisation to Use Domain Name**”); and
- (v) the trademark usage authorisation given by SZ Industry to SZ Kingworld at nil consideration for a term commencing from 15 August 2023 to 15 August 2026 and the trademark usage authorisation given by SZ Industry to SZ Kingworld at nil consideration for a term commencing from 1 July 2021 to 30 June 2024 (together, the “**Trademark Authorisation Letters**”).

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as the 2021 Master Distribution Agreements, none of the Directors and their respective close associates were interested in any business, apart from the Group’s business (including businesses relating to medical masks, Kingworld Imada Red Flower Oil, Kingworld Gen-seng Capsule (西洋參膠囊) and Zhuang Yao Jian Shen Wan (壯腰健腎片), etc.), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LANGUAGE

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

7. EXPERT AND CONSENT

The following are the qualifications of the expert whose letter or advice is contained in this circular:

| Name | Qualifications |
|-------------------------|--|
| Vinco Financial Limited | a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

Vinco Financial, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included in the form and context in which they respectively appear.

As at the Latest Practicable Date, Vinco Financial did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Vinco Financial did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. 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 latest published audited accounts of the Group were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kingworld.com.cn) for a period of 14 days from the date of this circular:

- (i) the 2024 Yuen Tai Master Distribution Agreement;
- (ii) the 2024 SZ Kingworld Lifeshine Master Distribution Agreement;

- (iii) the letter dated 23 February 2024 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;
- (iv) the opinion letter dated 23 February 2024 from Vinco Financial, the text of which is set out on pages 25 to 51 of this circular;
- (v) the written consent issued by Vinco Financial as referred in the paragraph headed “Expert and Consent” in this appendix; and
- (vi) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



KINGWORLD MEDICINES GROUP LIMITED

金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01110)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Kingworld Medicines Group Limited (the “Company”) will be held at the Conference Room, Unit 613, 6th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Kowloon, Hong Kong on Tuesday, 12 March 2024 at 11:00 a.m. (or any adjournment thereof) for the following purposes, and unless otherwise defined herein, the terms herein shall have the same meanings as defined in the circular to the shareholders of the Company dated 23 February 2024 (the “Circular”):

As a special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions:

- 1 To consider and approve the transactions under the 2024 Yuen Tai Master Distribution Agreement and the proposed annual caps for the three years ending 31 December 2026, details of which are set out in the Circular.
- 2 To consider and approve the transactions under the 2024 SZ Kingworld Lifeshine Master Distribution Agreement and the proposed annual caps for the three years ending 31 December 2026, details of which are set out in the Circular.
- 3 To generally and unconditionally authorise any one director of the Company or any other person(s) authorised by the directors of the Company to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company, and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to the 2024 Master Distribution Agreements and the transactions contemplated thereunder.

By order of the Board
Kingworld Medicines Group Limited
Zhao Li Sheng
Chairman

Hong Kong, 23 February 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares in the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him/her.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited ("**Branch Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint registered holders of a share in the Company, any one of such joint holders may vote, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the executive Directors are Mr. Zhao Li Sheng, Ms. Chan Lok San and Mr. Zhou Xuhua, and the independent non-executive Directors are Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam.