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If you have sold or transferred all your shares in YNBY International Limited (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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雲白國際有限公司
YNBY International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00030)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2026 FRAMEWORK AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



紅日資本有限公司
RED SUN CAPITAL LIMITED

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 5 to 23 of this circular.

A notice convening the special general meeting (“SGM”) of the Company to be held at 32/F Cambridge House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong on Friday, 5 June 2026 at 3:30 p.m. is set out on pages SGM-1 to SGM-2 in this circular. A proxy form for use by the Shareholders at the SGM is enclosed with this circular. If you are not able to attend the SGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish.

15 May 2026

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DEFINITIONS

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

“2026 Framework Agreement”	the 2026 Framework Agreement entered into between Yunnan Baiyao Group and the Company on 18 March 2026, pursuant to which (i) Yunnan Baiyao Group agreed to purchase (a) YNBY Products Registration and Promotion Services, and (b) Global Supply Chain Integration Services from the Group; and (ii) the Group agreed to (a) purchase Group Products Registration and Promotion Services from Yunnan Baiyao Group; and (b) purchase and distribute YNBY Products in overseas markets
“2026 Framework Agreement Announcement”	announcement of the Company dated 18 March 2026 in relation to the 2026 Framework Agreement entered into between Yunnan Baiyao Group and the Company
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	YNBY International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange with stock code 30
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	the date of the SGM on which the 2026 Framework Agreement becomes effective
“Existing Framework Agreement”	the agreement dated 13 December 2022 entered into between the Company and Yunnan Baiyao Group in relation to the provision of product registration, supply chain, and professional services, and the mutual cross-distribution of products
“Global Supply Chain Integration Services”	the provision of services by the Group to Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, overseas plantation and breeding resources (海外種植養殖資源), medical herbs and plant extracts, medical intermediates, cosmeceutical products, food ingredients, biologics and packaging materials

DEFINITIONS

“Group”	the Company and its subsidiaries
“Group Products”	healthcare and food products manufactured by the Group or any authorized manufacturer of the Group
“Group Products Registration and Promotion Services”	(i) registration of Group Products in the PRC pursuant to the relevant PRC regulatory and registration requirements; (ii) intellectual property registration of Group Products; (iii) PRC marketing services for Group Products; and (iv) PRC market expansion services provided to the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. Wong Hin Wing, Dr. Cheung Hoi Yu and Dr. Cecilia Wai Bing Pang, which was established to make a recommendation regarding the terms of the 2026 Framework Agreement
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the 2026 Framework Agreement
“Independent Shareholders”	the Shareholders other than (a) Yunnan Baiyao Group, Yunbaiyao Hong Kong and their respective associates, and (b) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the execution of the 2026 Framework Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Latest Practicable Date”	11 May 2026

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management”	management of the Company
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) set out in the notice of SGM
“Party(ies)”	Yunnan Baiyao Group and the Company, each a “Party”
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be held at 32/F Cambridge House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong on Friday, 5 June 2026 at 3:30 p.m., a notice of which is set out on pages SGM-1 to SGM-2 of this circular, or any adjourned meeting thereof
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Shanghai Trust”	Shanghai International Trust Corp., Ltd.* (上海國際信託有限公司), a company established under the laws of the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	(i) a subscription agreement dated 14 October 2019 entered into between the Company and Yunnan Baiyao Group and (ii) the supplemental subscription agreements in relation to the subscription of convertible bonds, for further details please refer to the announcements dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020, 30 October 2020, 31 October 2022, 5 December 2022, 29 December 2022, 29 October 2024 and 27 February 2026 of the Company and the circular of the Company dated 11 September 2020

DEFINITIONS

“YNBY Products”	including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group
“YNBY Products Purchase and Distribution”	the Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products in overseas markets
“YNBY Products Registration and Promotion Services”	(i) overseas registration of YNBY Products pursuant to the relevant overseas regulatory and registration requirements; (ii) intellectual property registration of YNBY Products; (iii) overseas marketing services for YNBY Products; and (iv) overseas market expansion services provided to Yunnan Baiyao Group
“Yunbaiyao Hong Kong”	Yunbaiyao Hong Kong Co., Limited* (雲白藥香港有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Yunnan Baiyao Group
“Yunnan Baiyao Group”	Yunnan Baiyao Group Co., Ltd.* (雲南白藥集團股份有限公司), a joint stock company established in the PRC with limited liability (shares of which are listed on the Shenzhen Stock Exchange with stock code 000538)
“%”	per cent

* for identification purpose only

LETTER FROM THE BOARD



雲白國際有限公司
YNBY International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00030)

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Huaiyu

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Directors:

Mr. He Tao

Mr. Huang Bin

Principal place of business in

Hong Kong:

32/F, Cambridge House,

Taikoo Place,

979 King's Road,

Quarry Bay,

Hong Kong

Independent non-executive Directors:

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

15 May 2026

To the Shareholders,

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2026 FRAMEWORK AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

Reference is made to the 2026 Framework Agreement Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) a letter of the Board containing further information regarding the terms of the 2026 Framework Agreement; (ii) the letter of recommendation from the Independent Board Committee in relation to the terms and conditions of the 2026 Framework Agreement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the terms of the 2026 Framework Agreement and the transactions as contemplated thereunder; (iv) the notice of SGM and (v) other information as required under the Listing Rules.

II. THE 2026 FRAMEWORK AGREEMENT

As disclosed in the 2026 Framework Agreement Announcement, on 18 March 2026, the Company and Yunnan Baiyao Group entered into the 2026 Framework Agreement to renew the Existing Framework Agreement for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date, pursuant to which (i) Yunnan Baiyao Group agreed to purchase (a) YNBY Products Registration and Promotion Services, and (b) Global Supply Chain Integration Services from the Group; and (ii) the Group agreed to (a) purchase Group Products Registration and Promotion Services from Yunnan Baiyao Group; and (b) purchase and distribute YNBY Products in overseas markets. The principal terms of the 2026 Framework Agreement are summarized below.

Date	18 March 2026
Parties	(i) The Company; and (ii) Yunnan Baiyao Group
Term	Subject to the fulfilment of the condition precedent as stated below, the term of the 2026 Framework Agreement shall be for a period of three years commencing on the Effective Date and ending on the third anniversary of the Effective Date.
Subject matter	Pursuant to the 2026 Framework Agreement, (i) Yunnan Baiyao Group agreed to purchase (a) YNBY Products Registration and Promotion Services, and (b) Global Supply Chain Integration Services from the Group; and (ii) the Group agreed to (a) purchase Group Products Registration and Promotion Services from Yunnan Baiyao Group; and (b) purchase and distribute YNBY Products to the overseas markets.

YNBY Products Registration and Promotion Services

The Group will (i) assist Yunnan Baiyao Group on the registration of YNBY Products pursuant to the relevant overseas regulatory and registration requirements; (ii) assist Yunnan Baiyao Group on intellectual property registration of YNBY Products; (iii) provide overseas marketing services for YNBY Products; and (iv) provide overseas market expansion services to Yunnan Baiyao Group.

LETTER FROM THE BOARD

The YNBY Products mainly comprise health products, traditional Chinese medicine and/or pharmaceutical products, which generally require local product registration and specific import/export and local sales licences before they can be marketed and distributed in overseas jurisdictions. Under the YNBY Products Registration and Promotion Services, the Company's established overseas branches and subsidiaries worldwide, such as Korea, Japan, Thailand, Singapore, Malaysia, Indonesia, Canada, the USA, the UK, etc., will assist Yunnan Baiyao Group by using locally registered entities to apply for registrations and licences and to carry out marketing and promotion activities. This arrangement addresses the practical and regulatory difficulties PRC companies face in establishing overseas subsidiaries and obtaining approvals, and leverages the Group's existing licences and presence in jurisdictions such as Thailand and Hong Kong to facilitate Yunnan Baiyao Group's market entry.

Global Supply Chain Integration Services

The Group will provide Global Supply Chain Integration Services to Yunnan Baiyao Group, under which the Group will assist Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, the procurement of overseas plantation and breeding resources (海外種植養殖資源), medical herbs and plant extracts, medical intermediates, cosmeceutical products, food ingredients, biologics and packaging materials. This involves the purchase of the raw materials from suppliers by the Group and the onward sale of the raw materials to Yunnan Baiyao Group. In particular, the control over the sources raw materials will first be acquired by the Group, and later transferred to Yunnan Baiyao Group upon the sales of such raw materials, the Group is in fact acting as a principal and not as an agent when such raw materials are being sourced. Such services are value-added to the Company's clients, including but not limited to Yunnan Baiyao Group, in terms of provision of expertise and services such as global sourcing, quality control, client services, etc. while bearing inventory risks.

LETTER FROM THE BOARD

Group Products Registration and Promotion Services

Yunnan Baiyao Group will (i) assist the Group on the registration of Group Products in the PRC pursuant to the relevant PRC regulatory and registration requirements; (ii) assist the Group on intellectual property registration of Group Products; (iii) provide PRC marketing services for Group Products; and (iv) provide PRC market expansion services to the Group.

While the Group will provide Yunnan Baiyao Group with YNBY Products Registration and Promotion Services overseas, Yunnan Baiyao Group will provide the Group with Group Products Registration and Promotion Services in the PRC, so as to facilitate the Group's expansion of its business by introducing the Group Products into the PRC. Before such products can be sold in the PRC, they would also need to be registered and promoted in the PRC. The Group engages Yunnan Baiyao Group for provision of Group Products Registration and Promotion Services in the PRC as Yunnan Baiyao Group, whose principal businesses include pharmaceutical products, health products, Chinese medicine resources, and pharmaceutical logistics, has developed significant experience and expertise in promoting and launching products particularly pharmaceutical and health products, prior to their licensing in the PRC market.

YNBY Products Purchase and Distribution

The Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products in overseas markets, which involves the purchase of YNBY Products from Yunnan Baiyao Group by the Group for distribution to overseas markets, following the completion of the necessary product registrations and marketing and promotional activities.

LETTER FROM THE BOARD

The Group will provide YNBY Products Registration and Promotion Services and carry out YNBY Product Purchase and Distribution concurrently, as YNBY products may only be sold after the requisite product registrations have been obtained, and demand for YNBY Products is typically generated/boosted after appropriate marketing and promotional activities. In this regard, the Company has been granted exclusive distributorship authorization to distribute the products held/manufactured/sold by Yunnan Baiyao Group. For details of the authorization, please refer to the Company's announcement dated 18 June 2025. Therefore, the two services are closely connected for the purpose of integrated overseas market entry and commercialization process by the Group.

Pricing policy

Under the YNBY Products Registration and Promotion Services, based on the Group's market research and after discussions with Yunnan Baiyao Group, the Parties agree that the Group will determine the service fee based on the expected costs incurred by the Group, e.g. actual costs incurred, plus a 10-15% mark-up for the Group being the agent to monitor the process and to ensure service quality, while comparing with prevailing market prices obtained from no less than two third-party service providers. The Group will obtain quotations from at least two Independent Third Parties that provide services similar to the YNBY Products Registration and Promotion Services. The service fees shall be determined based on the abovementioned methods and shall be no less favourable than the service fees offered to/from other Independent Third Parties under the same terms and conditions and in compliance with the applicable local laws and regulations.

LETTER FROM THE BOARD

Under the Global Supply Chain Integration Services, the Group will act as principal, but not an agent to source and procure raw materials for Yunnan Baiyao Group and will subsequently sell the raw materials to Yunnan Baiyao Group, who will acquire ownership over the raw materials. The Group will determine the selling price of the raw materials to be sold to Yunnan Baiyao Group based on prevailing market conditions and the pricing from third-party customers, including historical transactions or quotations from no less than two third-party customers. In particular, the Group will, on a quarterly basis, review the cost of acquiring the raw materials and the price for selling to Independent Third-Party customers to ensure the selling price offered to Yunnan Baiyao Group for raw materials is no less favourable to the Group than the price for selling the same to Independent Third-Party customers, by comparing at least two quotes from Independent Third Parties. In terms of the selling price, the Group will earn the difference between the cost of acquiring the raw materials and the selling price of the raw materials to Yunnan Baiyao Group. According to the Company's audited accounts for the year ended 31 December 2025, the Company sold approximately HK\$185 million of raw materials to Independent Third Party customers and the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers was approximately 6%. When procuring the raw materials to be sold to Yunnan Baiyao Group, the Group will only procure such raw materials if the cost of those raw materials is (i) based on the prevailing market price for raw materials of the same kind at the time of the relevant transaction; and (ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for raw materials of the same kind.

Under the Group Products Registration and Promotion Services, after discussions with Yunnan Baiyao Group, the Parties agree that Yunnan Baiyao Group will determine the service fee charged to the Group which is calculated on the basis of the anticipated cost to be borne by Yunnan Baiyao Group, together with certain mark-up for Yunnan Baiyao Group's role as agent in overseeing the process and safeguarding service quality. The service fees shall be no less favourable to the Group than the service fees offered to/from other Independent Third Parties, by comparing at least two quotes from Independent Third Parties, under the same terms and conditions and in compliance with the applicable local laws and regulations.

LETTER FROM THE BOARD

Under the YNBY Products Purchase and Distribution arrangement, the Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products from Yunnan Baiyao Group in overseas markets. The pricing of such YNBY Products is (i) based on the prevailing market price of products of the same kind at the time of the relevant transaction; and (ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for products of the same kind.

The Group shall only approve the relevant transactions in respect of the Group Products Registration and Promotion Services and YNBY Products Purchase and Distribution if the price payable by the Group will be on normal commercial terms or better, and on terms no less favourable to the Group than those available from Independent Third Parties and is fair and reasonable and in the interest of the Shareholders as a whole.

Payment terms	For each transaction contemplated under the 2026 Framework Agreement, the Parties will enter into a separate agreement to set out the payment terms for the relevant transaction by reference to the terms of the 2026 Framework Agreement.
Condition precedent	The 2026 Framework Agreement will only be effective upon the passing of the necessary resolutions at the SGM to approve the execution of the 2026 Framework Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Proposed annual cap and the basis of the annual caps

The following table sets out the proposed annual caps under the 2026 Framework Agreement respectively:

	Proposed annual caps			From
	From the Effective Date to 31 December 2026 (HK\$)	For the year ending 31 December 2027 (HK\$)	For the year ending 31 December 2028 (HK\$)	1 January 2029 to the third anniversary of the Effective Date (HK\$)
<i>Services/Products to be purchased by Yunnan Baiyao Group (the “Framework Sales Agreement”)</i>				
YNBY Products Registration and Promotion Services	12 million	24 million	24 million	12 million
Global Supply Chain Integration Services	140 million	280 million	280 million	140 million
Total	152 million	304 million	304 million	152 million

The proposed annual caps are determined after taking into consideration of, among others, the following:

- (i) the historical transaction amounts between the Parties in respect of the services of the same kind purchased by Yunnan Baiyao Group;
- (ii) **YNBY Products Registration and Promotion Services:** The annual caps of the YNBY Products Registration and Promotion Services were also determined based on the expected Yunnan Baiyao Group’s financial performance, including the foreign operation income to be generated by the anticipated demand for YNBY Products in the overseas markets and the expected corresponding level of services expenses to be incurred due to the expected foreign operation income generated by the said products, and the Group’s understanding that Yunnan Baiyao Group intends to double their efforts to develop overseas markets. The ratio of expected corresponding level of service expenses, being the proposed annual cap (HK\$24 million or approximately RMB22,018,349) of continuing connected transaction under the 2026 Framework Agreement, to the foreign operation income of Yunnan Baiyao Group (i.e. RMB358,673,284 and RMB109,121,473.77 for the years ended 31 December 2024 and 2025 respectively) ranges from 6.14% to 20.18%. The Company expects that the Group, as well as Yunnan Baiyao Group, will spend certain percentage of budgeted sales as promotion or marketing expenses

LETTER FROM THE BOARD

in order to boost future sales, and the ratio ranging from 6.14% to 20.18% is reasonable after considering (i) the foreign operating income of Yunnan Baiyao Group constituted only 0.90% and 0.26% of its total operation income for the years ended 31 December 2024 and 2025 respectively; and (ii) the Proposed Annual Cap of HK\$24 million (or approximately RMB22,018,349) in relation to the YNBY Products Registration and Promotion Services is limited in scale as it represents approximately 2.17% of the Group's revenue of approximately HK\$1,108.2 million for the year ended 31 December 2025 and approximately 0.05% of Yunnan Baiyao Group's total operating income of RMB41,187 million for the year ended 31 December 2025. Therefore, the amount of proposed annual cap is appropriate; and

- (iii) **Global Supply Chain Integration Services:** The proposed annual caps were determined by taking into account the expected continuing growth of the sales of raw materials to Yunnan Baiyao Group as Yunnan Baiyao Group grows their business, with the revenues of Yunnan Baiyao Group increased from approximately RMB36.5 billion for the year ended 31 December 2022 to RMB39.1 billion and RMB40.0 billion for the years ended 31 December 2023 and 2024 respectively according to its audited annual reports. While the actual transaction amount of this service for the year ended 31 December 2025 amounted to approximately HK\$191 million, the Company is of the view that it would grow in line with the expected growth of revenue of Yunnan Baiyao Group, and set a safety ceiling on the proposed annual cap.

	Proposed annual caps			
	From the Effective Date to 31 December 2026 (HK\$)	For the year ending 31 December 2027 (HK\$)	For the year ending 31 December 2028 (HK\$)	From 1 January 2029 to the third anniversary of the Effective Date (HK\$)
<i>Service/Products to be purchased by the Group (the "Framework Purchases Agreement")</i>				
Group Products Registration and Promotion Services	12 million	24 million	24 million	12 million
YNBY Products Purchase and Distribution	24 million	48 million	48 million	24 million
Total	36 million	72 million	72 million	36 million

LETTER FROM THE BOARD

The proposed annual caps are determined after taking into consideration of, among others, the following:

- (i) the historical transaction amounts between the Parties in respect of the services of the same kind purchased by the Group;
- (ii) **Group Products Registration and Promotion Services:** As there was no historical transaction in respect of the Group Products Registration and Promotion Services purchased by the Group under the Existing Framework Agreement, the annual caps of Group Products Registration and Promotion Services were estimated based on the Group's internal promotion schedule and expected sales to be generated in PRC, which involves obtaining quotations from Independent Third Parties that provide services similar to the Group Products Registration and Promotion Services. The expected sales to be generated in the PRC are estimated based on the sales generated in Hong Kong in 2024 of approximately HK\$695 million. The Group expects 10% of the aforementioned revenue will be generated from the PRC market in the coming years to capture growth opportunities in the PRC. The proposed annual caps are determined by applying a promotion-to-sales ratio of approximately 27% based on the Group's recent transactions; and
- (iii) **YNBY Products Purchase and Distribution:** The annual caps of YNBY Products Purchase and Distribution were estimated based on the volume of sales of YNBY Products which the Group is expected to procure based on the Group's business plan for the expansion of market shares of YNBY Products in the overseas markets; and the market trend and demand for products that share similar nature and uses with YNBY Products for the upcoming three years. The Company has managed sizable sales in Hong Kong, Indonesia, and USA markets, and is working hard to further penetrate other overseas markets, particularly in places where the Company already has subsidiaries in operation, including but not limited to South Korea, Japan, Thailand, Malaysia, Singapore, Canada, and the UK. The proposed annual caps are set at three times of the largest annual transaction amount recorded over the past three years (i.e. HK\$16,585,532 for the year ended 31 December 2024), with a slight discount of approximately 3.5%, after considering the expansion of market shares of YNBY Products in the overseas markets and the anticipated moderation of United States tariff war in the future.

LETTER FROM THE BOARD

Historical transaction amounts of continuing connected transactions under the Existing Framework Agreement for the three years ended 31 December 2025

	Actual transaction amount for the year ended 31 December 2025 (audited) (HK\$)	Actual transaction amount for the year ended 31 December 2024 (audited) (HK\$)	Actual transaction amount for the nine months ended 31 December 2023 (audited) (HK\$)
<i>Services/Products purchased by Yunnan Baiyao Group</i>			
YNBY Products Registration and Promotion Services	–	–	9,200,000
Global Supply Chain Integration Services	191,617,197	182,821,804	56,493,278
<i>Services/Products purchased by the Group</i>			
Group Products Registration and Promotion Services	–	–	–
YNBY Products Purchase and Distribution	3,813,517	16,585,532	12,510,208

LETTER FROM THE BOARD

Annual caps in respect of the continuing connected transactions under the Existing Framework Agreement for the three years ended 31 December 2025

	Annual cap	Annual cap	Annual cap	Utilization	Utilization	Utilization
	For the	For	For	rate	rate	rate
	nine months	the year	the year	For the	For	For
	ended	ended	ended	nine months	the year	the year
	ended	ended	ended	ended	ended	ended
	31 December	31 December	31 December	31 December	31 December	31 December
	2023	2024	2025	2023	2024	2025
	HK\$ Million	HK\$ Million	HK\$ Million	%	%	%
	(note)			(note)		
<i>Services/Products purchased by</i>						
<i>Yunnan Baiyao Group</i>						
Products Registration and						
Promotion Services	18.75	25	25	49.1	0	0
Global Supply Chain Integration						
Services	225	300	300	25.1	60.9	63.9
Professional Supporting Services	18.75	25	25	0	0	0
Sales and distribution of Group						
Products to the PRC	37.5	50	50	0	0	0
<i>Services/Products purchased by</i>						
<i>the Group</i>						
Sales and distribution of YNBY						
Products to the overseas markets	150	200	200	8.3	8.3	1.9

Note: For the purpose of calculating utilization rate, the annual cap is pro-rata to nine months which align with the audited financial statement of the Group for the nine months ended 31 December 2023.

The low utilization rates, the nil transaction amounts, and the factors affecting the proposed annual caps under the 2026 Framework Agreement are explained as below:

Products Registration and Promotion Services

The low utilization rates are mainly attributable to the delay in business development in the overseas markets of Yunnan Baiyao Group triggered by Sino-America geopolitical conflicts and tariff conflicts. The Company is of the view that such circumstances are improving due to the anticipated moderation of United States tariff war and the Group's establishment of multiple trading entities across Southeast Asia, which reduce the Group's exposure to risks associated with over-concentration in single market. Accordingly, the Company expects to carry out the proposed annual caps in relation to the YNBY Products Registration and Promotion Services.

LETTER FROM THE BOARD

Global Supply Chain Integration Services

The increase in utilization rates across the transaction periods is consistent with the continuous development of the Group's principal business, being the trading of goods and commodities business, which mainly comprises e-commerce and general trading business and raw materials trading business, and provision of professional services. By taking into consideration (i) the reduced proposed annual caps (HK\$280 million) in relation to the Global Supply Chain Integration Services as compared with the previous cap (HK\$300 million) is expected to further increase the future utilization rates; and (ii) the ongoing expansion of the Group's core operation which necessitates greater supply chain integration support, the Company is of the view that the proposed annual caps are appropriate.

Professional Supporting Services

The reason for nil utilisation during the transaction periods is that instead of the proposed OEM/ODM related services on behalf of Yunnan Baiyao Group, the Company has decided to arrange manufacturing on its own. As such, the Company has decided not to renew the continuing connected transaction in respect of this category.

Sales and distribution of Group Products to the PRC

The reason for nil utilisation during the transaction periods is that Group Products might have been registered and promoted before relevant sizable sales were achieved. As such, the Company has decided not to renew the continuing connected transaction in respect of this category. Instead, the Company proposed that Yunnan Baiyao Group provide product registration and promotion services in the PRC.

Sales and distribution of YNBY Products to the overseas markets

The low utilisation rates are mainly attributable to (i) the Group's Hong Kong distributor underwent a change in shareholding, which resulted in the audited actual revenue for the year ended 31 December 2025 being lower than the projection made in prior year; and (ii) the impact of United States tariff war, as a result of which overseas sales demand and the Group's corresponding procurement decreased. Therefore, the YNBY Products purchased and distributed by the Group did not reach the level originally estimated at the material time, attributable to the aforesaid factors. By considering: (i) the substantially reduced proposed annual cap (HK\$48 million) in relation to the YNBY Products Purchase and Distribution as compared with the previous cap (HK\$200 million); (ii) the volume of sales of YNBY Products which the Group is expected to procure based on the Group's business plan for the expansion of market shares of YNBY Products in the overseas markets; and (iii) the market trend and demand for products that share similar nature and uses with YNBY Products, including the global recognition of Traditional Chinese Medicine driven by the Chinese government's proactive promotion of scientific innovation and internationalisation, for the upcoming three years, the Company is of the view that the proposed annual caps are appropriate.

LETTER FROM THE BOARD

As the term of Existing Framework Agreement commenced on 15 May 2023 and will expire on 14 May 2026, the Company expects that it would not exceed the de minimis threshold for the period from 1 January 2026 to the Effective Date.

Reasons for and benefits of entering into the 2026 Framework Agreement

Yunnan Baiyao Group is an established pharmaceutical company specialized in, among others, Chinese medicine, health products and herbal medicine. Yunnan Baiyao Group's operations also cover the entire supply chain ranging from the research and development, cultivation, extraction, laboratory testing, sourcing, distribution, logistics, import and export. Leveraging on Yunnan Baiyao Group's expertise and reputation in the PRC, the Company is of the view that, by strategically cooperating with Yunnan Baiyao Group in the sales and distribution of each other's products, it will enhance the Group's influence and brand recognition in the PRC, which is essential to the future expansion of the Group's business. Yunnan Baiyao Group shall benefit from the Group's international trading expertise and be able to expand its market share in the overseas markets, which in turn will enhance Yunnan Baiyao Group's reputation overseas.

In light of the above, the Board (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser to the Independent Board Committee) considers that the terms of the 2026 Framework Agreement (including the relevant proposed annual caps) are (i) fair and reasonable, (ii) on normal commercial terms or better and in the ordinary course of business of the Group, and (iii) in the interests of the Company and the Shareholders as a whole, and that entering into the 2026 Framework Agreement is beneficial to the Company.

INTERNAL CONTROL MEASURES

The Company has adopted the following measures with respect to the transactions contemplated under the 2026 Framework Agreement in order to further safeguard the interests of the Shareholders:

- (i) the Group's Internal Audit Department will supervise and monitor the individual agreements to be entered into between the Group and the Yunnan Baiyao Group to ensure they will be entered into in accordance with the pricing policy under the 2026 Framework Agreement;
- (ii) the Group's Finance Department will review and compare at least two quotes from Independent Third Parties with the service fees to be charged under the Framework Sales Agreement and the pricing of Group Products Registration and Promotion Services and YNBY Products under the Framework Purchases Agreement when determining whether the relevant service fees and pricings are fair and reasonable;

LETTER FROM THE BOARD

- (iii) the Group's Finance Department will monitor the transaction amounts under the Framework Sales Agreement and the Framework Purchases Agreement by preparing designated management accounts for the continuing connected transactions therein on a regular basis to make sure that the actual contract amounts do not exceed the relevant annual caps;
- (iv) before entering into any individual agreements, the Group's Finance Department will assess whether the contract value of such individual agreement together with actual contract amounts (based on the latest monthly designated management accounts for continuing connected transactions) will exceed the proposed annual caps for relevant periods;
- (v) during its annual audit, the Company will engage its auditors to review the continuing connected transactions to ensure that the transactions under the 2026 Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder; and
- (vi) the independent non-executive Directors will also review the continuing connected transactions under the 2026 Framework Agreement and on an annual basis confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in trading of goods and commodities.

Yunnan Baiyao Group

Yunnan Baiyao Group is a joint-stock company established in the PRC. The A-shares of Yunnan Baiyao Group are listed on the Shenzhen Stock Exchange with stock code: 000538. The principal businesses of Yunnan Baiyao Group include pharmaceutical products, health products, Chinese medicine resources and pharmaceutical logistics. As at the date of this announcement, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, are the controlling shareholders of the Company.

LETTER FROM THE BOARD

Implication under the Listing Rules

As at the Latest Practicable Date, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, are the controlling shareholders of the Company holding 6,947,920,856 Shares, representing approximately 72.85% of the issued share capital of the Company. As Yunnan Baiyao Group is a connected person of the Company, the implementation of the transactions contemplated under the 2026 Framework Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under the 2026 Framework Agreement exceeds 5%, the implementation of the transactions contemplated under the 2026 Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, given that Mr. Dong Ming and Mr. He Tao are shareholders or employees of Yunnan Baiyao Group, it is considered that they may have a material interest in the transactions contemplated under the 2026 Framework Agreement and have therefore abstained from voting on the resolutions regarding the approval of the 2026 Framework Agreement and the transactions contemplated thereunder at the relevant Board meeting.

Save for the disclosed above, as at the date when the Board considered the abovementioned resolutions, no other Directors have any material interest in the transactions contemplated under the 2026 Framework Agreement and therefore no other Directors have abstained from voting on such resolutions of the Board.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Hin Wing, Dr. Cheung Hoi Yu and Dr. Cecilia Wai Bing Pang, has been established to consider the terms of the 2026 Framework Agreement, and to advise the Independent Shareholders as to whether the terms of the 2026 Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders (i) in relation to the terms of the 2026 Framework Agreement, and (ii) whether the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WARNINGS: The execution of the 2026 Framework Agreement is subject to Independent Shareholders' approval at the SGM, the transactions contemplated thereunder may or may not proceed.

LETTER FROM THE BOARD

III. SGM

A notice convening the SGM with the resolutions is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting or any adjourned meeting, you are requested to complete the accompanying form of proxy and return it to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

As at the Latest Practicable Date, Yunnan Baiyao Group, Yunbaiyao Hong Kong are the controlling shareholders of the Company holding 6,947,920,856 Shares, representing approximately 72.85% of the issued share capital of the Company, among which, Yunnan Baiyao Group was beneficially interested in 1,908,025,360 Shares, representing approximately 20.00% of the issued share capital of the Company, Yunbaiyao Hong Kong Co., Limited (an indirect wholly-owned subsidiary of Yunnan Baiyao Group) was beneficially interested in 3,101,911,000 Shares, representing approximately 32.52% of the issued share capital of the Company. Pursuant to the Subscription Agreements, Shanghai Trust holds 1,937,984,496 conversion Shares on trust for and on behalf of Yunnan Baiyao Group as a trustee. As Yunnan Baiyao Group and Yunbaiyao Hong Kong have material interests in the transactions contemplated under the 2026 Framework Agreement, Shares held by Yunnan Baiyao Group and Yunbaiyao Hong Kong, together with Shares held by Shanghai Trust on trust for Yunnan Baiyao Group, shall abstain from voting on the Ordinary Resolutions.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., and Shanghai Trust, no other Shareholder has a material interest in the 2026 Framework Agreement and has to abstain from voting on the Ordinary Resolutions.

For determining the eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 1 June 2026 to Friday, 5 June 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant Share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 May 2026.

LETTER FROM THE BOARD

IV. RECOMMENDATION OF THE BOARD

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Ordinary Resolutions; and (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the terms of the 2026 Framework Agreement and the transactions as contemplated thereunder.

The Board, including the Independent Board Committee, after having considered the advice of the Independent Financial Adviser, considers that the terms of the 2026 Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. The Board recommends that the Independent Shareholders vote in favour of all the Ordinary Resolutions at the SGM.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Bye-law 66 of the Company, all votes of the Shareholders at a general meeting must be taken by poll, except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the notice of SGM will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

LETTER FROM THE BOARD

VI. GENERAL

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

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully, For and on behalf of
The Board of Directors of
YNBY International Limited
Tang Ming
Executive Director
&
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the 2026 Framework Agreement and all transactions as contemplated thereunder, for the purpose of inclusion in this circular.



雲白國際有限公司
YNBY International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00030)

15 May 2026

To the Independent Shareholder,

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2026 FRAMEWORK AGREEMENT**

We refer to the 2026 Framework Agreement Announcement. Unless otherwise specified, terms defined in this circular shall have the same meanings in this letter.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the terms of the 2026 Framework Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in this circular.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the 2026 Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Details of the advice and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Adviser” in this circular. Your attention is also drawn to the “Letter from the Board” in this circular and the additional information as set out in Appendix I of this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking the advice of the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in this circular, we consider that the terms of the 2026 Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better, and fair and reasonable so far as the Independent Shareholders are concerned. We consider that the entering into the 2026 Framework Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole.

We, therefore, recommend that you vote in favour of all the Ordinary Resolutions at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Wong Hin Wing
*Independent non-executive
Director*

Dr. Cheung Hoi Yu
*Independent non-executive
Director*

Dr. Cecilia Wai Bing Pang
*Independent non-executive
Director*

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and Independent Shareholders for inclusion in this circular.



Room 2703, 27/F,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

15 May 2026

To: The Independent Board Committee and the Independent Shareholders of YNBY International Limited

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2026 FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2026 Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 15 May 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the 2026 Framework Agreement Announcement and the Circular in relation to the Existing Framework Agreement. As the Existing Framework Agreement will expire on 14 May 2026 and the Company expects to continue to conduct the transactions thereunder upon the expiry of such agreement, the Company and Yunnan Baiyao Group entered into the 2026 Framework Agreement on 18 March 2026 to renew the Existing Framework Agreement for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date. The terms of the 2026 Framework Agreement are substantially the same as the Existing Framework Agreement. Pursuant to the 2026 Framework Agreement, (i) Yunnan Baiyao Group agreed to purchase (a) YNBY Products Registration and Promotion Services, and (b) Global Supply Chain Integration Services from the Group; and (ii) the Group agreed to (a) purchase Group Products Registration and Promotion Services from Yunnan Baiyao Group; and (b) purchase and distribute YNBY Products in overseas markets.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, are the controlling shareholders of the Company holding 6,947,920,856 Shares, representing approximately 72.85% of the issued share capital of the Company. As Yunnan Baiyao Group is a connected person of the Company, the implementation of the transactions contemplated under the 2026 Framework Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under the 2026 Framework Agreement exceeds 5%, the implementation of the transactions contemplated under the 2026 Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Wong Hin Wing, Dr. Cheung Hoi Yu and Dr. Cecilia Wai Bing Pang, has been established to advise the Independent Shareholders regarding the terms of the 2026 Framework Agreement and the transactions contemplated thereunder.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the 2026 Framework Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the 2026 Framework Agreement and the transactions contemplated thereunder at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, save for this appointment, we have not acted as an Independent Financial Adviser to the Independent Board Committee of the Company and/or the Independent Shareholders.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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 contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Principal business and financial information of the Group

a) Background information of the Group

The Company is an investment holding company. The Group was principally engaged in trading of goods and commodities. The following table summarises the consolidated financial results of the Group for the years ended 31 December 2025, 2024 and 2023, which are extracted from the Company's annual results announcement for the year ended 31 December 2025 (the "2025 Annual Results") and annual report for the year ended 31 December 2024 (the "2024 Annual Report"):

Table 1: Consolidated financial result of the Group

	For the year ended 31 December		For the nine months ended 31 December
	2025	2024	2023
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Revenue	1,108,176,541	754,930,252	578,741,466
Gross profit	51,299,836	66,014,702	49,604,849
Profit before tax	9,564,353	23,883,753	146,405,524
Profit for the year attributable to owners of the Company	4,580,029	18,120,271	143,744,973

Financial performance for the year ended 31 December 2025 and the year ended 31 December 2024

According to the 2025 Annual Results, the Group's revenue increased by approximately HK\$353.2 million or 46.8% from approximately HK\$754.9 million for the year ended 31 December 2024 to approximately HK\$1,108.2 million for the year ended 31 December 2025. Such increase was mainly attributable to the increase in income from trading of goods and commodities segment which recorded segment profit of approximately HK\$39.3 million for the year ended 31 December 2025, compared to approximately HK\$54.5 million for the year ended 31 December 2024. The improvement on the segment revenue is mainly attributable to expansion e-commerce and general trading business for the year ended 31 December 2025, while the decrease on the segment profit is mainly attributable to the decrease in gross profits, which resulted from the decrease of the gross margin of the Group from approximately 8.74% in FY2024 to approximately 4.63% in FY2025 due to the decrease in sales of products with higher gross profit margin.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

The gross profit of the Group decreased from approximately HK\$66.0 million for the year ended 31 December 2024 to approximately HK\$51.3 million for the year ended 31 December 2025, representing a decrease of approximately 22.3%.

As set out in 2025 Annual Results, it is also noted that profit attributable to owners of the Company decreased by approximately RMB13.5 million or approximately 74.7%, from approximately RMB18.1 million for the year ended 31 December 2024 to approximately RMB4.6 million for the year ended 31 December 2025.

Financial performance for the year ended 31 December 2024 and the year ended 31 December 2023

According to the 2024 Annual Report, the Group's revenue increased by approximately HK\$176.2 million or 30.4% from approximately HK\$578.7 million for the year ended 31 December 2023 to approximately HK\$754.9 million for the year ended 31 December 2024. Such increase was mainly attributable to the increase in income from trading of goods and commodities segment which recorded segment profit of approximately HK\$54.5 million for the year ended 31 December 2024, compared to approximately HK\$41.0 million for the year ended 31 December 2023. The improvement on the segment revenue and segment results is mainly attributable to (i) longer accounting period covered for the year ended 31 December 2024 for which the accounting periods covered 12 months for the year ended 31 December 2024 and 9 months for the year ended 31 December 2023, respectively, and (ii) expansion of distribution of the YNBY products with higher profit margin for the year ended 31 December 2024.

The gross profit of the Group increased from approximately HK\$49.6 million for the year ended 31 December 2023 to approximately HK\$66.0 million for the year ended 31 December 2024, representing an increase of approximately 33.1%.

As set out in 2024 Annual Report, it is also noted that profit attributable to owners of the Company decreased by approximately RMB125.6 million or approximately 87.4%, from approximately RMB143.7 million for the year ended 31 December 2023 to approximately RMB18.1 million for the year ended 31 December 2024.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

Table 2: Consolidated financial position of the Group

	As at 31 December		
	2025	2024	2023
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Non-current assets	11,613,379	13,489,554	18,072,616
Right-of-use assets	8,082,123	10,362,478	14,235,984
Current assets	581,012,211	354,490,997	372,154,254
Trade receivables	348,779,332	114,871,673	110,344,093
Cash and cash equivalents	198,007,251	212,482,172	199,324,292
Other receivables, deposits and prepayments	29,718,936	11,327,644	13,709,416
Total assets	592,625,590	367,980,551	390,226,870
Non-current liabilities	5,517,802	7,932,959	11,711,781
Lease liabilities	4,017,802	6,432,959	10,211,781
Current liabilities	229,131,126	100,107,114	135,360,248
Trade and other payables	193,249,034	61,272,089	79,368,810
Amount due to a shareholder	27,947,524	30,946,177	17,447,343
Lease liabilities	4,106,182	3,937,541	3,577,988
Total liabilities	234,648,928	108,040,073	147,072,029
Net assets	357,976,662	259,940,478	243,154,841
Equity attributable to owners of the Company	357,976,662	259,940,478	243,154,841

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

Financial position as at 31 December 2024 and 2025

Total assets of the Group amounted to approximately HK\$592.6 million as at 31 December 2025, which increased from the total assets of the approximately HK\$368.0 million as at 31 December 2024. The total assets of the Group as at 31 December 2025 mainly comprised (i) trade receivables of approximately HK\$348.8 million; (ii) cash and cash equivalents of approximately HK\$198.0 million; (iii) other receivables, deposits and prepayments of approximately HK\$29.7 million; and (iv) right-of-use assets of approximately HK\$8.1 million.

Total liabilities of the Group recorded at approximately HK\$234.6 million as at 31 December 2025, which mainly consisted of (i) trade and other payables of approximately HK\$194.7 million; (ii) amount due to a shareholder of approximately HK\$27.9 million; and (iii) lease liabilities of approximately HK\$8.1 million.

The net assets of the Group amounted to approximately HK\$358.0 million as at 31 December 2025, which increased from the net assets of the Group of approximately HK\$260.0 million as at 31 December 2024.

Financial position as at 31 December 2023 and 2024

Total assets of the Group amounted to approximately HK\$368.0 million as at 31 December 2024, which decreased from the total assets of the approximately HK\$390.2 million as at 31 December 2023. The total assets of the Group as at 31 December 2024 mainly comprised (i) cash and cash equivalents of approximately HK\$212.5 million; (ii) trade receivables of approximately HK\$114.9 million; (iii) other receivables, deposits and prepayments of approximately HK\$11.3 million; and (iv) right-of-use assets of approximately HK\$10.4 million.

Total liabilities of the Group recorded at approximately HK\$108.0 million as at 31 December 2024, which decreased from the total liabilities of the approximately HK\$147.1 million as at 31 December 2023. The total liabilities of the Group as at 31 December 2024 mainly consisted of (i) trade and other payables of approximately HK\$62.8 million; (ii) amount due to a shareholder of approximately HK\$30.9 million; and (iii) lease liabilities of approximately HK\$10.4 million.

The net assets of the Group amounted to approximately HK\$260.0 million as at 31 December 2024, which is higher than the net assets of the Group of approximately HK\$243.2 million as at 31 December 2023.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

2. Background information of Yunnan Baiyao Group

Yunnan Baiyao Group is a joint-stock company established in the PRC. The A-shares of Yunnan Baiyao Group are listed on the Shenzhen Stock Exchange with stock code: 000538. The principal businesses of Yunnan Baiyao Group include pharmaceutical products, health products, Chinese medicine resources and pharmaceutical logistics. As at the Latest Practicable Date, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, are the controlling shareholders of the Company.

3. Reasons for and benefits of entering into the 2026 Framework Agreement

Yunnan Baiyao Group is an established pharmaceutical company specialized in, among others, Chinese medicine, health products and herbal medicine. Yunnan Baiyao Group's operations also cover the entire supply chain ranging from the research and development, cultivation, extraction, laboratory testing, sourcing, distribution, logistics, import and export. Leveraging on Yunnan Baiyao Group's expertise and reputation in the PRC, the Company is of the view that, by strategically cooperating with Yunnan Baiyao Group in the sales and distribution of each other's products, it will enhance the Group's influence and brand recognition in the PRC, which is essential to the future expansion of the Group's business. Yunnan Baiyao Group shall benefit from the Group's international trading expertise and be able to expand its market share in the overseas markets, which in turn will enhance Yunnan Baiyao Group's reputation overseas.

In view of that, (i) the Group has well-established and ongoing business relationship with Yunnan Baiyao Group, with reference to the circular of the Company dated 27 April 2023; (ii) the Group is principally engaged in trading of goods and commodities, and the transactions under the 2026 Framework Agreement are a furtherance of the Group's principal businesses; (iii) the Proposed Annual Caps (defined hereafter), if approved, should facilitate the transactions under the 2026 Framework Agreement to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (iv) the Group has the right but not the obligation to transact with Yunnan Baiyao Group and/or its associates at terms determined in accordance with the respective pricing policies, we considered that the transactions under the 2026 Framework Agreement are in the interests of the Company as a whole, and that entering into the 2026 Framework Agreement is beneficial to the Company.

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4. Principal terms of the 2026 Framework Agreement

Major terms of the 2026 Framework Agreement are set out as follows, details of which are set out under the section headed “THE FRAMEWORK AGREEMENT” of the Letter from the Board:

- Date : 18 March 2026
- Parties : (i) The Company; and
(ii) Yunnan Baiyao Group.
- Term : Subject to the fulfilment of the condition precedent as stated below, the term of the 2026 Framework Agreement shall be for a period of three years commencing on the Effective Date and ending on the third anniversary of the Effective Date.
- Subject matter : Pursuant to the 2026 Framework Agreement, (i) Yunnan Baiyao Group agreed to purchase (a) YNBY Products Registration and Promotion Services, and (b) Global Supply Chain Integration Services from the Group; and (ii) the Group agreed to (a) purchase Group Products Registration and Promotion Services from Yunnan Baiyao Group; and (b) purchase and distribute YNBY Products to the overseas markets.

YNBY Products Registration and Promotion Services

The Group will (i) assist Yunnan Baiyao Group on the registration of YNBY Products pursuant to the relevant overseas regulatory and registration requirements; (ii) assist Yunnan Baiyao Group on intellectual property registration of YNBY Products; (iii) provide overseas marketing services for YNBY Products; and (iv) provide overseas market expansion services to Yunnan Baiyao Group.

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The YNBY Products mainly comprise health products, traditional Chinese medicine and/or pharmaceutical products, which generally require local product registration and specific import/export and local sales licences before they can be marketed and distributed in overseas jurisdictions. Under the YNBY Products Registration and Promotion Services, the Company's established overseas branches and subsidiaries worldwide, such as Korea, Japan, Thailand, Singapore, Malaysia, Indonesia, Canada, the USA, the UK, etc., will assist Yunnan Baiyao Group by using locally registered entities to apply for registrations and licences and to carry out marketing and promotion activities. This arrangement addresses the practical and regulatory difficulties PRC companies face in establishing overseas subsidiaries and obtaining approvals, and leverages the Group's existing licences and presence in jurisdictions such as Thailand and Hong Kong to facilitate Yunnan Baiyao Group's market entry.

Global Supply Chain Integration Services

The Group will provide Global Supply Chain Integration Services to Yunnan Baiyao Group, under which the Group will assist Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, the procurement of overseas plantation and breeding resources (海外種植養殖資源), medical herbs and plant extracts, medical intermediates, cosmeceutical products, food ingredients, biologics and packaging materials. This involves the purchase of the raw materials from suppliers by the Group and the onward sale of the raw materials to Yunnan Baiyao Group. In particular, the control over the sources raw materials will first be acquired by the Group, and later transferred to Yunnan Baiyao Group upon the sales of such raw materials, the Group is in fact acting as a principal and not as an agent when such raw materials are being sourced. Such services are value-added to the Company's clients, including but not limited to Yunnan Baiyao Group, in terms of provision of expertise and services such as global sourcing, quality control, client services, etc. while bearing inventory risks.

Group Products Registration and Promotion Services

Yunnan Baiyao Group will (i) assist the Group on the registration of Group Products in the PRC pursuant to the relevant PRC regulatory and registration requirements; (ii) assist the Group on intellectual property registration of Group Products; (iii) provide PRC marketing services for Group Products; and (iv) provide PRC market expansion services to the Group.

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While the Group will provide Yunnan Baiyao Group with YNBY Products Registration and Promotion Services overseas, Yunnan Baiyao Group will provide the Group with Group Products Registration and Promotion Services in the PRC, so as to facilitate the Group's expansion of its business by introducing the Group Products into the PRC. Before such products can be sold in the PRC, they would also need to be registered and promoted in the PRC. The Group engages Yunnan Baiyao Group for provision of Group Products Registration and Promotion Services in the PRC as Yunnan Baiyao Group, whose principal businesses include pharmaceutical products, health products, Chinese medicine resources, and pharmaceutical logistics, has developed significant experience and expertise in promoting and launching products particularly pharmaceutical and health products, prior to their licensing in the PRC market.

YNBY Products Purchase and Distribution

The Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products in overseas markets, which involves the purchase of YNBY Products from Yunnan Baiyao Group by the Group for distribution to overseas markets, following the completion of the necessary product registrations and marketing and promotional activities.

The Group will provide YNBY Products Registration and Promotion Services and carry out YNBY Product Purchase and Distribution concurrently, as YNBY products may only be sold after the requisite product registrations have been obtained, and demand for YNBY Products is typically generated/boosted after appropriate marketing and promotional activities. In this regard, the Company has been granted exclusive distributorship authorization to distribute the products held/manufactured/sold by Yunnan Baiyao Group. For details of the authorization, please refer to the Company's announcement dated 18 June 2025. Therefore, the two services are closely connected for the purpose of integrated overseas market entry and commercialization process by the Group.

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Pricing policy : Under the YNBY Products Registration and Promotion Services, based on the Group's market research and after discussions with Yunnan Baiyao Group, the Parties agree that the Group will determine the service fee based on the expected costs incurred by the Group, e.g. actual costs incurred, plus a 10-15% mark-up for the Group being the agent to monitor the process and to ensure service quality, while comparing with prevailing market prices obtained from no less than two third-party service providers. The Group will obtain quotations from at least two Independent Third Parties that provide services similar to the YNBY Products Registration and Promotion Services. The service fees shall be determined based on the abovementioned methods and shall be no less favourable than the service fees offered to/from other Independent Third Parties under the same terms and conditions and in compliance with the applicable local laws and regulations.

Under the Global Supply Chain Integration Services, the Group will act as principal, but not an agent to source and procure raw materials for Yunnan Baiyao Group and will subsequently sell the raw materials to Yunnan Baiyao Group, who will acquire ownership over the raw materials. The Group will determine the selling price of the raw materials to be sold to Yunnan Baiyao Group based on prevailing market conditions and the pricing from third-party customers, including historical transactions or quotations from no less than two third-party customers. In particular, the Group will, on a quarterly basis, review the cost of acquiring the raw materials and the price for selling to Independent Third-Party customers to ensure the selling price offered to Yunnan Baiyao Group for raw materials is no less favourable to the Group than the price for selling the same to Independent Third-Party customers, by comparing at least two quotes from Independent Third Parties. In terms of the selling price, the Group will earn the difference between the cost of acquiring the raw materials and the selling price of the raw materials to Yunnan Baiyao Group. According to the Company's audited accounts for the year ended 31 December 2025, the Company sold approximately HK\$185 million of raw materials to Independent Third Party customers and the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers was approximately 6%. When procuring the raw materials to be sold to Yunnan Baiyao Group, the Group will only procure such raw materials if the cost of those raw materials is i) based on the prevailing market price for raw materials of the same kind at the time of the relevant transaction; and ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for raw materials of the same kind.

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Under the Group Products Registration and Promotion Services, after discussions with Yunnan Baiyao Group, the Parties agree that Yunnan Baiyao Group will determine the service fee charged to the Group which is calculated on the basis of the anticipated cost to be borne by Yunnan Baiyao Group, together with certain mark-up for Yunnan Baiyao Group's role as agent in overseeing the process and safeguarding service quality. The service fees shall be no less favourable to the Group than the service fees offered to/from other Independent Third Parties, by comparing at least two quotes from Independent Third Parties, under the same terms and conditions and in compliance with the applicable local laws and regulations.

Under the YNBY Products Purchase and Distribution arrangement, the Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products from Yunnan Baiyao Group in overseas markets. The pricing of such YNBY Products is (i) based on the prevailing market price of products of the same kind at the time of the relevant transaction; and (ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for products of the same kind.

The Group shall only approve the relevant transaction in respect of the Group Products Registration and Promotion Services and YNBY Products Purchase and Distribution if the price payable by the Group will be on normal commercial terms or better, and on terms no less favourable to the Group than those available from Independent Third Parties, and is fair and reasonable and in the interest of the Shareholders as a whole.

- Payment terms : For each transaction contemplated under the 2026 Framework Agreement, the Parties will enter into a separate agreement to set out the payment terms for the relevant transaction by reference to the terms of the 2026 Framework Agreement.
- Condition precedent : The 2026 Framework Agreement will only be effective upon the passing of the necessary resolutions at the SGM to approve the execution of the 2026 Framework Agreement and the transactions contemplated thereunder.

For further details of the principal terms of the 2026 Framework Agreement, please refer to the section headed "II. THE 2026 FRAMEWORK AGREEMENT" in the Letter from the Board.

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5. Analysis on the principal terms of the 2026 Framework Agreement and work performed on the internal control procedures

Pursuant to the Framework Sales Agreement, the services/products to be purchased by Yunnan Baiyao Group primarily include, (i) YNBY Products Registration and Promotion Services, such as (a) overseas registration of YNBY Products (i.e. including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group) pursuant to the relevant overseas regulatory and registration requirements; (b) intellectual property registration of YNBY Products (i.e. including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group); (c) overseas marketing services for YNBY Products (i.e. including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group); and (d) overseas market expansion services provided to Yunnan Baiyao Group; and (ii) Global Supply Chain Integration Services, such as the provision of services by the Group to Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, overseas plantation and breeding resources (海外種植養殖資源), medical herbs and plant extracts, medical intermediates, cosmeceutical products, food ingredients, biologics and packaging materials.

Pursuant to the Framework Purchases Agreement, the service/products to be purchased by the Group primarily include, (i) Group Products Registration and Promotion Services, such as (a) registration of Group Products (i.e. healthcare and food products manufactured by the Group or any authorized manufacturer of the Group) in the PRC pursuant to the relevant PRC regulatory and registration requirements; (b) intellectual property registration of Group Products (i.e. healthcare and food products manufactured by the Group or any authorized manufacturer of the Group); (c) PRC marketing services for Group Products (i.e. healthcare and food products manufactured by the Group or any authorized manufacturer of the Group); and (d) PRC market expansion services provided to the Group; and (ii) YNBY Products Purchase and Distribution that the Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products (i.e. including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group) in overseas markets.

With a view to assess the fairness and reasonableness of the transactions contemplated under the 2026 Framework Agreement, we have set our work performed on the respective types of services and products below.

YNBY Products Registration and Promotion Services

We noted from the pricing policy under the YNBY Products Registration and Promotion Services, the Group will determine the service fee based on the expected costs incurred, plus a 10 to 15% mark-up for the Group being the agent to monitor the process and to ensure service quality, while comparing with prevailing market prices obtained from no less than two third-party service providers.

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With a view to assess the reasonableness of the service fees charged by the Group to Yunnan Baiyao Group for providing the YNBY Products Registration and Promotion Services, we have obtained and reviewed a total of one sample transaction under the Existing Framework Agreement, which was carried out during the year ended 31 December 2023, with a transaction amount of approximately HK\$9,200,000 (the “**Sampled YNBY Products Registration and Promotion Services Transaction**”). We have discussed and understood from the Management that only one transaction was carried out during the period under the Existing Framework Agreement. We understood from the Management that the service fees charged by the Group to Yunnan Baiyao Group in relation to the Sampled YNBY Products Registration and Promotion Services Transaction was determined based on the average mark-up of approximately 11% charged in relation to the promotion fees actually incurred overseas by the Group during the period from July 2022 to June 2023.

We have also obtained and reviewed pricing report issued by Chongqing Branch of Shanghai Deloitte Tax Ltd. (上海德勤稅務師事務所有限公司重慶分所) (“**Deloitte**”) as of July 2023 for the purpose of performing a transfer pricing analysis on the connected transactions between the Company and Yunnan Baiyao Group (the “**Pricing Report**”). The Pricing Report adopted the full cost-plus method as the pricing approach in relation to YNBY Product Registration and Promotion Services. Under the full cost-plus method adopted in the Pricing Report, the full cost-plus rate equals the ratio of earnings before interest and taxes (EBIT) to total cost, where total cost excludes non-operating expenses such as interest and taxes. Based on our review of the Pricing Report, we noted that the Pricing Report stated that, based on Deloitte’s experience and market observation, the interquartile range of the full cost plus rate companies engaged in similar promotional services is typically between 5% and 15%, and that the service fees fall within this range.

In this connection, we compared the Sampled YNBY Products Registration and Promotion Services Transaction under the Existing Framework Agreement against the Pricing Report for reasonableness. Based on this comparison, we noted that the 11% mark-up falls within the aforesaid interquartile range, i.e. 5% to 15%. Based on our work performed, we are of the view that the service fees charged for the Sampled YNBY Products Registration and Promotion Services Transaction are no less favourable than the service fees offered to/from other Independent Third Parties for similar promotional services, and considered that the service fees charged to be consistent with market benchmarks.

On this basis, we are of the view that the pricing policy for the provision of YNBY Products Registration and Promotion Services by the Group to Yunnan Baiyao Group under the Existing Framework Agreement are fair and reasonable.

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Based on (i) our obtaining and review of the Sampled YNBY Products Registration and Promotion Services Transaction; (ii) our understanding from the Management that the service fees charged by the Group to Yunnan Baiyao Group for the Sampled YNBY Products Registration and Promotion Services Transaction were determined using an average mark-up of approximately 11% applied to the fees actually incurred overseas by the Group from July 2022 to June 2023, and we obtained from the Management the total actual fee incurred overseas for each relevant period within July 2022 to June 2023, (iii) our obtaining and review of the Pricing Report, which showed that the interquartile range of the full cost plus markup for companies engaged in similar promotional services is typically between 5% and 15%, and (iv) our comparison, which demonstrated that the service fees fall within the range of the Pricing Report, and we are of the view that the service fees charged for the Sampled YNBY Products Registration and Promotion Services Transaction are no less favourable than the service fees offered to/from other Independent Third Parties for similar promotional services, and considered that the service fees charged to be consistent with market benchmarks, we are therefore of the opinion that the results of our work are sufficient to evaluate the reasonableness of the pricing policy.

Global Supply Chain Integration Services

With a view to assess the reasonableness of the selling price of the raw materials to be sold to Yunnan Baiyao Group, and given the Group will earn the difference between the cost of acquiring the raw materials and the selling price of the raw materials to Yunnan Baiyao Group, we have obtained and reviewed a total of six sample transactions, including three sample historical transactions under the Existing Framework Agreement (the “**Sampled Global Supply Chain Integration Services Connected Transaction(s)**”) and three sample transactions entered into with Independent Third Parties (the “**Sampled Global Supply Chain Integration Services I3P Transaction(s)**”), where the Sampled Global Supply Chain Integration Services I3P Transactions refer to transactions that the Company entered into with Independent Third Parties for the procurement of raw materials (i.e. the Independent Third Parties supplied raw materials to the Group) (together, the “**Sampled Global Supply Chain Integration Services Transaction(s)**”). As discussed with the Management, no transactions involving Independent Third Parties in respect of Global Supply Chain Integration Services were carried out during the term of the Existing Framework Agreement. Accordingly, our analysis can only be performed by reference to the prices charged by Independent Third Parties for raw material procurement against the historical transaction prices under the Existing Framework Agreement. The Sampled Global Supply Chain Integration Services Transactions are considered comparable, as they involve raw materials of the same nature supplied by Independent Third Parties and sold to Yunnan Baiyao Group, respectively.

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Considering that (i) the Sampled Global Supply Chain Integration Services Transactions collectively cover different time periods across the years ended 31 December 2023, 2024 and 2025, including different months within each of those years; and (ii) the Sampled Global Supply Chain Integration Services Transactions involve identical goods, namely Calcium Hydrogen Phosphate, and consistent payment terms, we considered the Sampled Global Supply Chain Integration Services Transactions is sufficient and representative to determine the reasonableness of the selling price of the raw materials to be sold to Yunnan Baiyao Group.

The Sampled Global Supply Chain Integration Services Transactions were carried out during the years ended 31 December, 2023, 2024 and 2025, being the most recent three financial years of the Company, and selected on a random basis which covered different months of the years ended 31 December, 2023, 2024 and 2025 involving the Group will act as principal, but not an agent to source and procure raw materials for Yunnan Baiyao Group and will subsequently sell the raw materials to Yunnan Baiyao Group, who will acquire ownership over the raw materials and in relation to the difference between the cost of acquiring the raw materials and the selling price of the raw materials to Yunnan Baiyao Group. Hence, we considered such sampled transactions for the assessment of the selling price of the raw materials to be sold to Yunnan Baiyao Group to be fair and representative. In this connection, we compared the sample historical transactions under the Existing Framework Agreement against similar transactions entered into between the Group and Independent Third Parties for reasonableness.

Given that the Sampled Global Supply Chain Integration Services Transactions included historical transactions under the Existing Framework Agreement and entered into with Independent Third Parties and that they were carried out during the years ended 31 December, 2023, 2024 and 2025, we consider the above samples to be appropriate for the purpose of our analysis.

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We noted that the Company will earn the difference between the cost of acquiring the raw materials and the selling price of the raw materials to Yunnan Baiyao Group that the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers was approximately 6%, in respect of which the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers with the Sampled Global Supply Chain Integration Services Connected Transactions (defined thereafter) was higher than 6%, which was noted to be in the region of 7% and 9%. We noted that the Group will only procure such raw materials if the cost of those raw materials is (i) based on the prevailing market price for raw materials of the same kind at the time of the relevant transaction; and (ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for raw materials of the same kind. In any case, based on our comparison of the selling price offered to Yunnan Baiyao Group for raw materials under the Sampled Global Supply Chain Integration Services Connected Transactions for the Global Supply Chain Integration Services was no less favourable to the Group than the price for selling the same to Independent Third Party customers under the Sampled Global Supply Chain Integration Services I3P Transactions for similar Global Supply Chain Integration Services.

Based on our work performed, which included the comparison of the selling price of the raw materials to Yunnan Baiyao Group of the Sampled Global Supply Chain Integration Services Connected Transactions against the Sampled Global Supply Chain Integration Services I3P Transaction, we noted that the selling price of the raw materials to Yunnan Baiyao Group under the Sampled Global Supply Chain Integration Services Connected Transactions were no less favourable than the similar Sampled Global Supply Chain Integration Services I3P Transactions.

On this basis, we are of the view that the pricing policy for the provision of services by the Group to Yunnan Baiyao Group to source and integrate raw materials worldwide under the Existing Framework Agreement are fair and reasonable.

Based on (i) our understanding from the Management that the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers was approximately 6%; (ii) our obtaining and review of the Sampled Global Supply Chain Integration Services Transactions, which showed that the difference between the cost of acquiring the raw materials and the selling price of the raw materials sold to Independent Third Party customers with the Sampled Global Supply Chain Integration Services Connected Transactions was higher than 6%, which was noted to be in the region of 7% and 9%; and (iii) our comparison, which demonstrated that the selling price of the raw materials to Yunnan Baiyao Group under the Sampled Global Supply Chain Integration Services Connected Transactions were no less favourable than the similar Sampled Global Supply Chain Integration Services I3P Transactions for similar goods, we are therefore of the opinion that the results of our work are sufficient to evaluate the reasonableness of the pricing policy.

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Group Products Registration and Promotion Services

As stated in the Letter from the Board, the basis of the price and terms of Group Products Registration and Promotion Services under the 2026 Framework Agreement, based on the discussions with Yunnan Baiyao Group that the Parties agree that Yunnan Baiyao Group will determine the service fee charged to the Group which is calculated on the basis of the anticipated cost to be borne by Yunnan Baiyao Group, together with certain mark-up for Yunnan Baiyao Group's role as agent in overseeing the process and safeguarding service quality.

We have obtained and reviewed (i) two quotations from Independent Third Parties; and (ii) a product promotion service agreement entered into with Yunnan Baiyao Group on 1 January 2026 (the “**Group Products Promotion Services Agreement**”) for services of a comparable nature. The two quotations from Independent Third Parties and the Group Products Promotion Services Agreement are considered comparable, as they involve services of the same nature proposed to be provided by Independent Third Parties and Yunnan Baiyao Group, respectively, with same scope, duration, and geographical reach.

With a view to assess the fairness and reasonableness of the service fee charged to the Group by Yunnan Baiyao Group, we have compared the total proposed fee charged by Yunnan Baiyao Group against the total proposed fee amounts stated in the two quotations obtained from Independent Third Parties. The two quotations obtained from Independent Third Parties proposed total lump-sum service fees of RMB3.1 million and RMB3.5 million, respectively, while the Group Products Promotion Services Agreement entered into with Yunnan Baiyao Group proposed a fee of RMB2.45 million, as quoted by Yunnan Baiyao Group for services of same scope, duration and geographical reach.

Based on our comparison of the total proposed fee charged by Yunnan Baiyao Group of RMB2.45 million against the two quotations obtained from Independent Third Parties of RMB3.1 million and RMB3.5 million respectively, Yunnan Baiyao Group's proposed fee was no less favourable than the prices quoted by Independent Third Parties for comparable services. Accordingly, we considered that the pricing policy results in a total fee that is fair from a quantitative perspective when benchmarked against independent market quotations.

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As such, the service fees shall be no less favourable to the Group than the service fees offered to/from other Independent Third Parties, by comparing at least two quotes from Independent Third Parties, under the same terms and conditions and in compliance with the applicable laws and regulations.

In addition, the Company has adopted measures with respect to the transactions contemplated under the 2026 Framework Agreement in order to further safeguard the interests of the Shareholders, details of which are set out under the section headed “INTERNAL CONTROL MEASURES” of the Letter from the Board.

In this connection, we have obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the 2026 Framework Agreement with a view to ensure that the terms of the Group Products Registration and Promotion Services shall be no less favourable than the service fees offered to/from other Independent Third Parties under the same terms and conditions and in compliance with the relevant laws and regulations in the PRC and Hong Kong, which involves, among others, the review and approval of the terms of relevant transactions by the relevant department and the Management prior to entering into the transactions. With a view to ensure that the transactions pursuant to the 2026 Framework Agreement are conducted on normal commercial terms, the relevant designated personnel of the Group shall review and assess whether the transactions contemplated under the 2026 Framework Agreement are conducted in accordance with the relevant terms prior to the transactions. As advised by the Management, such internal procedures will be adopted and shall apply to transactions contemplated under the 2026 Framework Agreement for a period of three years commencing on the Effective Date and ending on the third anniversary of the Effective Date. We have discussed and understood from the Management that (i) the Group’s Internal Audit Department will oversee all individual agreements entered into with the Yunnan Baiyao Group to ensure their compliance with the pricing policy established in the 2026 Framework Agreement; (ii) when determining whether the pricing of Group Products Registration and Promotion Services and YNBY Products under the Framework Purchases Agreement is fair and reasonable, the Group’s Finance Department will review and compare at least two quotes obtained from Independent Third Parties; (iii) to ensure compliance with the annual caps, the Group’s Finance Department will regularly prepare designated management accounts for the continuing connected transactions, thereby monitoring the transaction amounts under the Framework Purchases Agreement; and (iv) prior to executing any individual agreement, the Group’s Finance Department will evaluate whether the contract value of such individual agreement, when combined with the actual contract amounts recorded in the latest monthly designated management accounts for continuing connected transactions, would exceed the proposed annual caps for the relevant periods, which shall ensure the transactions under the 2026 Framework Agreement to be conducted on terms not less favourable to the Group than those available from Independent Third Parties.

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YNBY Products Purchase and Distribution

With a view to assess the reasonableness of the price payable by the Group in relation to YNBY Products Purchase and Distribution and given the pricing of such YNBY Products is based on the prevailing market price of products of the same kind at the time of the relevant transaction, we have obtained and reviewed a total of ten sample transactions, including five sample historical transactions under the Existing Framework Agreement (the “**Sampled YNBY Products Purchase and Distribution Connected Transaction(s)**”) and five sample transactions entered into with Independent Third Parties (the “**Sampled YNBY Products Purchase and Distribution I3P Transaction(s)**”), where the Sampled YNBY Products Purchase and Distribution I3P Transactions refer to transactions that the Company entered into with Independent Third Parties for the sales of YNBY Products (i.e. the Group sold YNBY Products to the Independent Third Parties) (together, the “**Sampled YNBY Products Purchase and Distribution Transaction(s)**”). As we have discussed and understood from the Management that no transaction with Independent Third Parties in relation to YNBY Products Purchase and Distribution was carried out during the period under the Existing Framework Agreement. Accordingly, our analysis can only be performed by reference to the prices payable by Independent Third Parties for sales of YNBY Products against the historical transaction prices under the Existing Framework Agreement. The Sampled YNBY Products Purchase and Distribution Transactions are considered comparable, as they involve YNBY Products of the same nature sold to Independent Third Parties and supplied by Yunnan Baiyao Group, respectively.

Considering that (i) the Sampled YNBY Products Purchase and Distribution Transactions collectively cover different time periods across the years ended 31 December 2023, 2024 and 2025, including different months within each of those years; and (ii) the Sampled YNBY Products Purchase and Distribution Transactions involve identical goods and consistent payment terms, we considered the Sampled YNBY Products Purchase and Distribution Transactions is sufficient and representative to determine the reasonableness of the price payable by the Group in relation to YNBY Products Purchase and Distribution.

The Sampled YNBY Products Purchase and Distribution Transactions were carried out during the years ended 31 December, 2023, 2024 and 2025, being the most recent three financial years of the Company, and selected on a random basis which covered different months of the year ended 31 December, 2023, 2024 and 2025 involving the Group will act as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products from Yunnan Baiyao Group in overseas markets and in relation to the pricing of such YNBY Products. Hence, we considered such sampled transactions for the assessment of the price payable by the Group in relation to YNBY Products Purchase and Distribution to be fair and representative. In this connection, we compared the sample historical transactions under the Existing Framework Agreement against similar transactions entered into between the Group and Independent Third Parties for reasonableness.

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Given that the Sampled YNBY Products Purchase and Distribution Transactions included historical transactions under the Existing Framework Agreement and entered into with Independent Third Parties and that they were carried out during the years ended 31 December, 2023, 2024 and 2025, we consider the above samples to be appropriate for the purpose of our analysis.

We noted that the pricing of such YNBY Products is (i) based on the prevailing market price of products of the same kind at the time of the relevant transaction; and (ii) determined with reference to two or more quotations or tenders received from Independent Third Parties for products of the same kind. In this regard, we have obtained and reviewed the Sampled YNBY Products Purchase and Distribution Transactions. In any case, based on our comparison of the pricing of such YNBY Products under the Sampled YNBY Products Purchase and Distribution Connected Transactions for the YNBY Products Purchase and Distribution was no less favourable than the price of products of the same kind under the Sampled YNBY Products Purchase and Distribution I3P Transactions.

Based on our work performed, which included the comparison of the pricing of such YNBY Products of the Sampled YNBY Products Purchase and Distribution Connected Transactions against the Sampled YNBY Products Purchase and Distribution I3P Transactions, we noted that the pricing of such YNBY Products under the Sampled YNBY Products Purchase and Distribution Connected Transactions were no less favourable than the similar Sampled YNBY Products Purchase and Distribution I3P Transactions.

On this basis, we are of the view that the pricing policy for the YNBY Products Purchase and Distribution purchased by the Group to act as a distributor of Yunnan Baiyao Group and purchase and distribute YNBY Products in overseas markets under the Existing Framework Agreement are fair and reasonable.

Based on (i) our obtaining and review of the Sampled YNBY Products Purchase and Distribution Transactions, which showed that the difference between the cost of acquiring the YNBY Product and the selling price of the YNBY Product sold to Independent Third Party customers; and (ii) our comparison, which demonstrated that the price payable by the Group under the Sampled YNBY Products Purchase and Distribution Connected Transactions were no less favourable than the similar Sampled YNBY Products Purchase and Distribution I3P Transactions for similar goods, we are therefore of the opinion that the results of our work are sufficient to evaluate the reasonableness of the pricing policy.

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Internal procedures of the Group

We noted that the Company has adopted the following measures with respect to the transactions contemplated under the 2026 Framework Agreement in order to further safeguard the interests of the Shareholders:

- (i) the Group's Internal Audit Department will supervise and monitor the individual agreements to be entered into between the Group and the Yunnan Baiyao Group to ensure they will be entered into in accordance with the pricing policy under the 2026 Framework Agreement;
- (ii) the Group's Finance Department will review and compare at least two quotes from Independent Third Parties with the service fees to be charged under the Framework Sales Agreement and the pricing of Group Products Registration and Promotion Services and YNBY Products under the Framework Purchases Agreement when determining whether the relevant service fees and pricings are fair and reasonable;
- (iii) the Group's Finance Department will monitor the transaction amounts under the Framework Sales Agreement and the Framework Purchases Agreement by preparing designated management accounts for the continuing connected transactions therein on a regular basis to make sure that the actual contract amounts do not exceed the relevant annual caps;
- (iv) before entering into any individual agreements, the Group's Finance Department will assess whether the contract value of such individual agreement together with actual contract amounts (based on the latest monthly designated management accounts for continuing connected transactions) will exceed the proposed annual caps for relevant periods;
- (v) during its annual audit, the Company will engage its auditors to review the continuing connected transactions to ensure that the transactions under the 2026 Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder; and
- (vi) the independent non-executive Directors will also review the continuing connected transactions under the 2026 Framework Agreement and on an annual basis confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies.

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As part of our work performed on the internal procedures of the Group governing the transactions contemplated under the 2026 Framework Agreement, we have reviewed the relevant internal procedures and obtained supporting documents from the Management for the sampled transactions, including supporting information and documents for price determination, as well as management information system screen prints evidencing the approval by the relevant personnel from different departments and the respective agreements, in respect of (i) YNBY Products Registration and Promotion Services with one sample transaction, as only one transaction was carried out under the Existing Framework Agreement (i.e. the Sampled YNBY Products Registration and Promotion Services Transaction). Accordingly, we obtained and reviewed this sole transaction. In addition, we obtained the Pricing Report for comparison purposes, along with supporting information and documents including relevant figures from Management for fees actually incurred overseas by the Group historically, and management information system screen prints evidencing approval by relevant personnel from different departments. On this basis, we considered the selected documents are sufficient and representative; (ii) Global Supply Chain Integration Services with six sample transactions (i.e. the Sampled Global Supply Chain Integration Services Transactions), supporting information and documents including management information system screen prints evidencing approval by relevant personnel from different departments and the respective agreements; (iii) Group Products Registration and Promotion Services with supporting information and documents including two quotations from Independent Third Parties and the Group Products Promotion Services Agreement; and (iv) YNBY Products Purchase and Distribution with ten sample transactions (i.e. the Sampled YNBY Products Purchase and Distribution Transactions), supporting information and documents including management information system screen prints evidencing approval by relevant personnel from different departments and the respective agreements. We have selected the above samples based on considering different time periods across the years ended 31 December 2023, 2024 and 2025, including different months within each of those years, for identical goods or services of each service or goods type. In our view, the selected samples are sufficient and representative as they cover each service category and reflect the approval workflow for every sample transaction, all of which were selected on a random basis. Based on our work performed in relation to the sampled transactions, we considered that appropriate internal approval procedures are in place to safeguard the interests of the Independent Shareholders.

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With a view to ensure that the transactions pursuant to the 2026 Framework Agreement are conducted on normal commercial terms, the relevant personnel and the Management shall also review and assess whether the transactions contemplated under the 2026 Framework Agreement are conducted in accordance with the relevant terms thereunder. As advised by the Management, similar internal procedures will continue to be applied to transactions contemplated under the 2026 Framework Agreement.

Summary

Based on our work and analysis performed on, among others, the pricing policies and internal control procedures implemented by the Group, such as (i) the sampled transactions obtained and reviewed were conducted in accordance with the applicable stated pricing policies of the Group; (ii) the Management has confirmed that the transactions between the Group and the Yunnan Baiyao Group under the Existing Framework Agreement have been in compliance with the relevant internal control procedures and pricing policies thereunder; and (iii) the continuing connected transactions are subject to review by the independent non-executive Directors on an annual basis and that the auditors of the Company would also conduct an annual review on the pricing policies, the terms of such agreement and the relevant annual caps under the 2026 Framework Agreement, we are of the view that the effective implementation of the internal control procedures and pricing policies under the 2026 Framework Agreement should ensure the transactions contemplated thereunder to be conducted on normal commercial terms that are fair and reasonable.

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6. Rationale for determining the proposed annual caps in connection with the 2026 Framework Agreement

The historical transaction amount and the proposed annual caps for (i) the procurement of YNBY Products Registration and Promotion Services by Yunnan Baiyao Group from the Group; (ii) the procurement of Global Supply Chain Integration Services by Yunnan Baiyao Group from the Group; (iii) the procurement of Group Products Registration and Promotion Services by the Group from Yunnan Baiyao Group; and (iv) the purchase and distribute YNBY Products in overseas markets are set out below:

	Actual transaction amount for the three months ending 31 March 2026 (unaudited) (HK\$)	Actual transaction amount for the year ended 31 December 2025 (audited) (HK\$)	Actual transaction amount for the year ended 31 December 2024 (audited) (HK\$)	Actual transaction amount for the nine months ended 31 December 2023 (audited) (HK\$)
<i>Services/Products purchased by Yunnan Baiyao Group</i>				
YNBY Products Registration and Promotion Services	–	–	–	9,200,000
Global Supply Chain Integration Services	69,057,193	191,617,197	182,821,804	56,493,278
<i>Services/Products purchased by the Group</i>				
Group Products Registration and Promotion Services	–	–	–	–
YNBY Products Purchase and Distribution	9,572	3,813,517	16,585,532	12,510,208

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	Proposed annual caps			From 1 January
	From the Effective Date to 31 December 2026 (HK\$)	For the year ending 31 December 2027 (HK\$)	For the year ending 31 December 2028 (HK\$)	2029 to the third anniversary of the Effective Date (HK\$)
<i>Services/Products to be purchased by Yunnan Baiyao Group (the “Framework Sales Agreement”)</i>				
YNBY Products Registration and Promotion Services	12 million	24 million	24 million	12 million
Global Supply Chain Integration Services	140 million	280 million	280 million	140 million
Total	152 million	304 million	304 million	152 million

	Proposed annual caps			From 1 January
	From the Effective Date to 31 December 2026 (HK\$)	For the year ending 31 December 2027 (HK\$)	For the year ending 31 December 2028 (HK\$)	2029 to the third anniversary of the Effective Date (HK\$)
<i>Service/Products to be purchased by the Group (the “Framework Purchases Agreement”)</i>				
Group Products Registration and Promotion Services	12 million	24 million	24 million	12 million
YNBY Products Purchase and Distribution	24 million	48 million	48 million	24 million
Total	36 million	72 million	72 million	36 million

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In determining the above annual caps, the Company has considered a range of factors which have been summarised from the Letter from the Board below:

YNBY Products Registration and Promotion Services

- (i) the historical transaction amounts between the Parties in respect of the services of the same kind purchased by Yunnan Baiyao Group; and
- (ii) the annual caps of the YNBY Products Registration and Promotion Services were also determined based on the expected Yunna Baiyao Group's financial performance, including the foreign operation income to be generated by the anticipated demand for YNBY Products in the overseas markets and the expected corresponding level of services expenses to be incurred due to the expected foreign operation income generated by the said products, and the Group's understanding that Yunnan Baiyao Group intends to double their efforts to develop overseas markets. The ratio of expected corresponding level of service expenses, being the proposed annual cap (HK\$24 million or approximately RMB22,018,349) of continuing connected transaction under the 2026 Framework Agreement, to the foreign operation income of Yunnan Baiyao Group (i.e. RMB358,673,284 and RMB109,121,473.77 for the years ended 31 December 2024 and 2025 respectively) ranges from 6.14% to 20.18%. The Company expects the Group, as well as Yunnan Baiyao Group, will spend certain percentage of budgeted sales as promotion or marketing expenses in order to boost future sales, and that the ratio ranging from 6.14% to 20.18% is reasonable after considering (i) the foreign operating income of Yunnan Baiyao Group constituted only 0.90% and 0.26% of its total operation income for the years ended 31 December 2024 and 2025 respectively; and (ii) the Proposed Annual Cap of HK\$24 million (or approximately RMB22,018,349) in relation to the YNBY Products Registration and Promotion Services is limited in scale as it represents approximately 2.17% of the Group's revenue of approximately HK\$1,108.2 million for the year ended 31 December 2025 and approximately 0.05% of Yunnan Baiyao Group's total operating income of RMB41,187 million for the year ended 31 December 2025. Therefore, the amount of proposed annual cap is appropriate.

Global Supply Chain Integration Services

- (i) the historical transaction amounts between the Parties in respect of the services of the same kind purchased by Yunnan Baiyao Group; and

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- (ii) the proposed annual caps were determined by taking into account the expected continuing growth of the sales of raw materials to Yunnan Baiyao Group as Yunan Baiyao Group grows their business, with the revenues of Yunnan Baiyao Group increased from approximately RMB36.5 billion for the year ended 31 December 2022 to RMB39.1 billion and RMB40.0 billion for the years ended 31 December 2023 and 2024 respectively according to its audited annual reports. While the actual transaction amount of this service for the year ended 31 December 2025 amounted to approximately HK\$191 million, the Company is of the view that it would grow in line with the expected growth of revenue of Yunnan Baiyao Group, and set a safety ceiling on the proposed annual cap.

Group Products Registration and Promotion Services

- (i) the historical transaction amounts between the Parties in respect of the Group Products Registration and Promotion Services of the same kind purchased by the Group; and
- (ii) as there was no historical transaction in respect of the Group Products Registration and Promotion Services purchased by the Group under the Existing Framework Agreement, the annual caps of Group Products Registration and Promotion Services were estimated based on the Group's internal promotion schedule and expected sales to be generated in PRC, which involves obtaining quotations from Independent Third Parties that provide services similar to the Group Products Registration and Promotion Services. The expected sales to be generated in the PRC are estimated based on the sales generated in Hong Kong in 2024 of approximately HK\$695 million. The Group expects 10% of the aforementioned revenue will be generated from the PRC market in the coming years to capture growth opportunities in the PRC. The proposed annual caps are determined by applying a promotion-to-sales ratio of approximately 27% based on the Group's recent transactions.

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YNBY Products Purchase and Distribution

- (i) the historical transaction amounts between the Parties in respect of the YNBY Products Purchase and Distribution purchased by the Group; and
- (ii) the annual caps of YNBY Products Purchase and Distribution were estimated based on the volume of sales of YNBY Products which the Group is expected to procure based on the Group's business plan for the expansion of market shares of YNBY Products in the overseas markets; and the market trend and demand for products that share similar nature and uses with YNBY Products for the upcoming three years. The Company has managed sizable sales in Hong Kong, Indonesia, and USA markets, and is working hard to further penetrate other overseas markets, particularly in places where the Company already has subsidiaries in operation, including but not limited to South Korea, Japan, Thailand, Malaysia, Singapore, Canada, and the UK. The annual caps of YNBY Products Purchase and Distribution are set at three times of the largest annual transaction amount recorded over the past three years (i.e. HK\$16,585,532 for the year ended 31 December 2024), with a slight discount of approximately 3.5%, after considering the expansion of market shares of YNBY Products in the overseas markets and the anticipated moderation of United States tariff war in the future.

For further information in relation to the basis of the respective proposed annual caps under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028 (the “**Proposed Annual Caps**”), please refer to the section headed “Proposed annual cap and the basis of the annual caps” in the Letter from the Board.

Our analysis on the Proposed Annual Caps

The following sets out our analysis on the Proposed Annual Caps for each of the respective type of services.

YNBY Products Registration and Promotion Services

The Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services under the 2026 Framework Agreement for each of the three years ending 31 December 2026, 2027 and 2028 is HK\$24.0 million (the “**2026 YNBY Products Registration and Promotion Services Annual Cap**”), HK\$24.0 million (the “**2027 YNBY Products Registration and Promotion Services Annual Cap**”) and HK\$24.0 million (the “**2028 YNBY Products Registration and Promotion Services Annual Cap**”) respectively.

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In assessing the reasonableness of the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services, we have considered the historical amount initially. Based on our analysis, we noted that the utilisation rate of the annual caps in relation to YNBY Products Registration and Promotion Services under the Existing Framework Agreement were approximately 49.1% for the nine months ended 31 December 2023, nil for the year ended 31 December 2024 and nil for the year ended 31 December 2025. We have discussed and understood from the Management that the aforesaid low utilisation rates were mainly attributable to the delay in business development to the overseas markets of Yunnan Baiyao Group triggered by Sino-America geopolitical conflicts and tariff conflicts. We have discussed and understand from the Management that the relevant circumstances have been progressively improving. Based on current assessments from the Management, it is anticipated that the affected business activities will resume normal operations no later than the year ending 31 December 2026. Accordingly, it is expected to implement the 2026 YNBY Products Registration and Promotion Services Annual Cap for each of the three years ending 31 December 2026, 2027 and 2028. Given the aforesaid reasons for and factors affecting the historical utilisation rate, namely the delay in business development, which are non-recurring in nature and the Management does not expect such to have a continuing effect on the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services as the Management considered Yunnan Baiyao Group's historical financial performance, specifically its foreign operating income and the implied level of service expenses in relation to YNBY Products Registration and Promotion Services that would be supported by such income. For comparative purposes, the Proposed Annual Caps of HK\$24.0 million in relation to the YNBY Products Registration and Promotion Services under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028 converts to approximately RMB22,018,349 at the applicable exchange rate.

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To assess the basis of the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services, we have conducted additional analysis in this connection, we noted from Yunnan Baiyao Group's annual report for the year ended 31 December 2024 (the "**Yunnan Baiyao Group's 2024 Annual Report**") that the reported foreign operating income of approximately RMB358,673,284 for the full year 2024, representing approximately 0.90% of its total operating income. When measured against the reported foreign operating income, the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services of approximately HK\$24.0 million (equivalent to approximately RMB22,018,349) would represent a ratio of approximately 6.14%. Furthermore, when considering actual data for the full year 2025 of Yunnan Baiyao Group, the ratio would be at approximately 20.18%, a calculation based on Yunnan Baiyao Group's annual report for the year ended 31 December 2025 (the "**Yunnan Baiyao Group's 2025 Annual Report**") which recorded foreign operating income of approximately RMB109,121,473.77 for the year ended 31 December 2025, representing approximately 0.26% of its total operating income. When measured against the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services of approximately HK\$24.0 million (equivalent to approximately RMB22,018,349), the resulting ratio supports a higher percentage than the historical level observed in 2024 (i.e. approximately 6.14%). The Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services, when expressed as a percentage of Yunnan Baiyao Group's foreign operating income for the financial year 2024 and the financial year 2025, yields ratios ranging from approximately 6.14% to 20.18%. Notably, the foreign operating income of Yunnan Baiyao Group constituted only 0.90% and 0.26% of its total operating income for the years ended 31 December 2024 and 2025, respectively, reflecting the relatively small scale of its foreign operations in the context of Yunnan Baiyao Group's overall business. Notwithstanding the difference between the ratios of 6.14% for the financial year 2024 and 20.18% for the financial year 2025, the Proposed Annual Caps of HK\$24.0 million in relation to the YNBY Products Registration and Promotion Services remain justified. The Proposed Annual Caps of HK\$24.0 million in relation to the YNBY Products Registration and Promotion Services represent approximately 2.17% of the Company's revenue of approximately HK\$1,108.2 million for the year ended 31 December 2025 and approximately 0.05% of Yunnan Baiyao Group's total operating income of RMB41,187.0 million for the year ended 31 December 2025, which demonstrate that the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services are limited in scale when compared to both the Company's revenue scale and Yunnan Baiyao Group's overall business size. Even when compared against the lower foreign operating income base of RMB109.1 million for the year ended 31 December 2025, which yields a higher ratio of 20.18%, the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services of HK\$24.0 million remains insignificant

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relative to the Company's revenue scale and Yunnan Baiyao Group's overall business size. Accordingly, the difference in calculated ratios does not detract from the reasonableness of the Proposed Annual Caps. Although no services were utilised in relation to YNBY Products Registration and Promotion Services for the year ended 31 December 2025, the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services is forward-looking and is calibrated with reference to Yunnan Baiyao Group's established operational scale. The consistency of the ratios across historical periods supports the conclusion that the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services is aligned with Yunnan Baiyao Group's actual business needs.

In addition, we noted from the announcements of the Company dated 18 June 2025, 19 June 2025 and 30 June 2025 regarding business development, which disclosed that the Group has been granted exclusive distributorship authorization to distribute the products held/manufactured/sold by Yunnan Baiyao Group worldwide other than the PRC. Furthermore, it is noted from the Company's voluntary announcement dated 30 June 2025 that the first batch of toothpaste products under the brand name of Yunnan Baiyao (雲南白藥) manufactured in Thailand as arranged by the Company has been successfully sold by the Company outside mainland China, marking the first time ever that toothpaste products manufactured outside mainland China under the brand name of Yunnan Baiyao (雲南白藥) have been put up for sale. The successful execution of the initial overseas toothpaste sale nonetheless demonstrates the Group's proven capability to deliver overseas market expansion services for YNBY Products, as bringing a product from overseas manufacturing to successful international sale inherently requires market entry coordination, regulatory compliance handling, and cross-border commercial execution, which constitute overseas market expansion services. Furthermore, as disclosed in the 2026 Framework Agreement Announcement, Yunnan Baiyao Group intends to double its efforts to develop overseas markets in relation to YNBY Products Registration and Promotion Services. Accordingly, taking into account the Group's demonstrated capability in overseas sales execution and Yunnan Baiyao Group's stated intention to expand overseas, it provides a reasonable basis to expect continued and increased demand from Yunnan Baiyao Group for YNBY Products Registration and Promotion Services, thereby supporting the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services of HK\$24 million under the 2026 Framework Agreement.

It is noted that the Group's successful production and sale of the first batch of Yunnan Baiyao branded toothpaste manufactured in Thailand for markets outside Mainland China represents a key milestone in the Company's international expansion strategy, demonstrating its enhanced production efficiency through leveraging international manufacturing expertise while maintaining stringent quality standards as set out in the 2025 Interim Report.

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Having considered that (i) our aforesaid analysis on the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services; (ii) the Group has been granted exclusive distributorship to distribute Yunnan Baiyao Group's products worldwide outside the PRC and has achieved a key milestone by successfully producing and selling the first batch of Yunnan Baiyao Group's branded toothpaste manufactured in Thailand for overseas markets, which demonstrates the Group's proven capability in market entry coordination, regulatory compliance, and cross-border execution, and confirms that the exclusive distributorship remains valid and mitigates recurring delay risks; (iii) the reasons for the historical low utilisation rate as above-mentioned are non-recurring in nature and the relevant factors for low utilisation were not expected to have a continuing effect on the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services, as we have discussed and understand from the Management that the delay in business development to the overseas markets of Yunnan Baiyao Group triggered by Sino-America geopolitical conflicts and tariff conflicts to be external event and we considered such view to be reasonable as (a) the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services of approximately HK\$24.0 million represent approximately 6.14% of Yunnan Baiyao Group's 2024 reported foreign operating income and implied ratio of approximately 4.78% for the full year 2025 of Yunnan Baiyao Group when considering projected data, demonstrating alignment with actual business needs; (b) Yunnan Baiyao Group intends to double its overseas market development efforts, supporting expectation of resumption of normal operations no later than the year ending 31 December 2026; and (c) the Sino-America geopolitical and tariff conflicts that triggered the delay are external events, and therefore should not affect future utilisation of the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services; and (iv) the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services are formulated based on Yunnan Baiyao Group's historical financial performance, specifically its foreign operating income and the implied level of service expenses in relation to YNBY Products Registration and Promotion Services that would be supported by such income, we are of the view that the historical low utilisation rate does not directly affect the reasonableness of the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services, and we concur with the Management and considered the basis for determining the Proposed Annual Caps in relation to the YNBY Products Registration and Promotion Services under the 2026 Framework Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Global Supply Chain Integration Services

The Proposed Annual Caps in relation to the Global Supply Chain Integration Services under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028 is HK\$280.0 million (the “**2026 Global Supply Chain Integration Services Annual Cap**”), HK\$280.0 million (the “**2027 Global Supply Chain Integration Services Annual Cap**”) and HK\$280.0 million (the “**2028 Global Supply Chain Integration Services Annual Cap**”) respectively.

In assessing the reasonableness of the Proposed Annual Caps in relation to the Global Supply Chain Integration Services, we have considered the historical amount initially. Based on our analysis, we noted that the utilisation rate of the annual caps in relation to Global Supply Chain Integration Services under the Existing Framework Agreement were approximately 25.1% for the nine months ended 31 December 2023, 60.9% for the year ended 31 December 2024 and 63.9% for the year ended 31 December 2025. The increase in utilisation rates across the transaction periods is consistent with the continuous development of the Group’s principal business, being its trading business. As disclosed in (i) the 2025 Interim Report that the Group is principally engaged in the trading of goods and commodities, and recorded revenue of approximately HK\$396.4 million for the six months ended 30 June 2025, out of which approximately HK\$96.7 million was attributable to trading activities supported by the Global Supply Chain Integration Services; (ii) the 2024 Annual Report that the Group recorded revenue of approximately HK\$754.9 million for the year ended 31 December 2024, out of which approximately HK\$182.8 million was attributable to trading activities supported by the Global Supply Chain Integration Services; and (iii) the 2024 Annual Report that the Group recorded revenue of approximately HK\$578.7 million for the nine months ended 31 December 2023, out of which approximately HK\$56.5 million was attributable to trading activities supported by the Global Supply Chain Integration Services, reflecting the ongoing expansion of its core operations which necessitates greater supply chain integration support.

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To assess the basis of the Proposed Annual Caps in relation to the Global Supply Chain Integration Services, we have conducted additional analysis in this connection, we noted from (i) the Yunnan Baiyao Group's 2024 Annual Report that its 2024 full-year revenue amounted to approximately RMB40.0 billion; and (ii) the Yunnan Baiyao Group's 2025 Interim Report that its revenue for the first half of 2025 was approximately RMB21,257,102,896.02, representing an estimated full-year revenue of approximately RMB42.5 billion based on interim results, which reflects an annual growth rate of approximately 6.25%. We have discussed and understood from the Management that the Proposed Annual Caps in relation to the Global Supply Chain Integration Services under the 2026 Framework Agreement is referenced to the actual audited transaction amount for the year ended 31 December 2025 in relation to the Global Supply Chain Integration Services, which amounted to approximately HK\$192 million. Taking into account the actual audited transaction amount of HK\$192 million as a baseline and applying a growth rate reference of 6.25% (being the annual growth rate of Yunnan Baiyao Group for the first half of 2025) to derive the baseline projections for 2026 Global Supply Chain Integration Services Annual Cap, 2027 Global Supply Chain Integration Services Annual Cap and 2028 Global Supply Chain Integration Services Annual Cap of approximately HK\$204 million, HK\$217 million, and HK\$230 million respectively. The reasonableness of the annual growth rate of approximately 6.25% is supported by reference to Yunnan Baiyao Group's sales growth scale, which directly drives the demand for the Global Supply Chain Integration Services under the 2026 Framework Agreement. Specifically, as Yunnan Baiyao Group's trading business expands, it requires increased sourcing and integration of raw materials worldwide. Therefore, we considered the annual growth rate of approximately 6.25% to be reasonable, as referencing Yunnan Baiyao Group's own historical growth rate provides a reasonable basis for projecting the future transaction volume under the Proposed Annual Caps in relation to the Global Supply Chain Integration Services. A buffer of approximately in the region of HK\$50 million to HK\$75 million has been included in the Proposed Annual Caps in relation to the Global Supply Chain Integration Services for each of the years ending 31 December 2026, 2027 and 2028. The buffer is considered reasonable as (i) the increased utilisation of Global Supply Chain Integration Services arising from the continuous expansion of the Group's principal trading business, as evidenced by the Group's trading activities in relation to the Global Supply Chain Integration Services increased significantly from approximately HK\$56.5 million for the nine months ended 31 December 2023 to approximately HK\$182.8 million for the year ended 31 December 2024, and further to approximately HK\$193.4 million on an annualised basis for the year ended 31 December 2025; and (ii) possible increases in Yunnan Baiyao Group's sales growth beyond the 6.25% estimate, which demonstrates that future actual transaction amounts may possible to exceed baseline projections and that a 6.25% growth rate might not capture all potential increases, thereby the inclusion of a buffer to accommodate any acceleration beyond the estimate.

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Having considered that (i) our aforesaid analysis on the Proposed Annual Caps in relation to the Global Supply Chain Integration Services; (ii) the reasons for the increase in utilisation rates in relation to the Global Supply Chain Integration Services across the transaction periods is consistent with the continuous development of the Group's principal business, being its trading business; and (iii) the Proposed Annual Caps in relation to the Global Supply Chain Integration Services are formulated based on Yunnan Baiyao Group's historical financial performance and the actual audited transaction amount for the year ended 31 December 2025 in relation to the Global Supply Chain Integration Services, we concur with the Management and considered the basis for determining the Proposed Annual Caps in relation to the Global Supply Chain Integration Services under the 2026 Framework Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Group Products Registration and Promotion Services

The Proposed Annual Caps in relation to the Group Products Registration and Promotion Services under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028 is HK\$24.0 million (the “**2026 Group Products Registration and Promotion Services Annual Cap**”), HK\$24.0 million (the “**2027 Group Products Registration and Promotion Services Annual Cap**”) and HK\$24.0 million (the “**Group Products Registration and Promotion Services Annual Cap**”) respectively.

In assessing the reasonableness of the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services, we conducted the following analysis.

We have discussed and understood from the Management that the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services were determined based on the Group's expectation to sell the Group Products into the PRC market, and to receive reciprocal services from the Yunnan Baiyao Group in connection with product registration and promotion. Other than determination of the annual caps based on the Group's discussions with Yunnan Baiyao Group, the estimated amount of the Group Product Registration and Promotion Services was mainly incurred from (i) registration of Group Products in the PRC pursuant to the relevant PRC regulatory and registration requirements; (ii) intellectual property registration of Group Products; (iii) PRC marketing services for Group Products; and (iv) PRC market expansion services provided to the Group.

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In respect of the Group's procurement of Product Registration and Promotion Services, the Proposed Annual Caps in relation to the Group Products Registration and Promotion Service were determined by reference to the estimated service fees payable by the Group to Yunnan Baiyao Group. We have discussed and understood from the Management that the service fee charged to the Group is calculated on the basis of the anticipated costs to be borne by Yunnan Baiyao Group, together with a certain mark-up for Yunnan Baiyao Group's role as agent in overseeing the process and safeguarding service quality. It is further understood from the Management that the estimation of the Proposed Annual Caps in relation to the Group Products Registration and Promotion Service was prepared based on the Group's internal promotional schedule and expected sales to be generated in the PRC, which involves obtaining quotations from Independent Third Parties that provide services similar to the Group Products Registration and Promotion Services. The fairness and reasonableness of the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services of HK\$24.0 million under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028, is further supported by reference to the following quantitative assessments. The Group Products Promotion Services Agreement entered into with Yunnan Baiyao Group in 2026 provided for a service fee of RMB2.45 million, representing approximately 27.22% of the Group's estimated total sales of RMB9 million for the year ending 31 December 2026. We noted from the 2025 Annual Results, the revenue of the Hong Kong segment was approximately HK\$695,047,018 for the year ended 31 December 2025. We have discussed and understand from the Management that it is estimated that 10% of such revenue would be targeted for entry into the PRC market for each of the three years ending 31 December 2026, 2027 and 2028, equivalent to HK\$69,504,702. Applying the aforementioned 27.22% service fee ratio to the projected PRC market revenue, the estimated promotion expenses payable to Yunnan Baiyao Group for penetrating the PRC market amount to over HK\$18 million. Together with other registration costs, including registration of Group Products in the PRC pursuant to the relevant PRC regulatory and registration requirements and intellectual property registration of Group Products of approximately HK\$5 million, the total estimated costs payable to Yunnan Baiyao Group amount to over HK\$23 million. Accordingly, the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services of HK\$24.0 million under the 2026 Framework Agreement for each of the three years ending 31 December 2026, 2027 and 2028 are consistent with the Group's operational projections and market entry strategy. As such, the basis for determining the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services under the 2026 Framework Agreement is considered to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Given that the service fees shall be no less favourable than those offered to or from other Independent Third Parties under comparable circumstances and in compliance with applicable legal requirements, we are of the view that the basis upon which the Proposed Annual Caps in relation to the Group Products Registration and Promotion Service have been set is reasonable and justifiable.

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Having considered that (i) our aforesaid analysis on the Proposed Annual Caps in relation to the Group Products Registration and Promotion Service; and (ii) the Proposed Annual Caps in relation to the Group Products Registration and Promotion Service are formulated based on a benchmark service fee ratio derived from the Group Products Promotion Services Agreement, applied to projected PRC market revenue representing a targeted percentage of the Group's historical Hong Kong segment revenue, together with other registration costs comprising product and intellectual property registration fees, resulting in total estimated costs payable which support the Proposed Annual Cap after including a buffer, we concur with the Management and considered the basis for determining the Proposed Annual Caps in relation to the Group Products Registration and Promotion Services under the 2026 Framework Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

YNBY Products Purchase and Distribution

The Proposed Annual Caps in relation to the YNBY Products Purchase and Distribution under the 2026 Framework Agreement for each of the years ending 31 December 2026, 2027 and 2028 is HK\$48.0 million (the “**2026 YNBY Products Purchase and Distribution Annual Cap**”), HK\$48.0 million (the “**2027 YNBY Products Purchase and Distribution Annual Cap**”) and HK\$48.0 million (the “**2028 YNBY Products Purchase and Distribution Annual Cap**”) respectively.

In assessing the reasonableness of the Proposed Annual Caps in relation to the YNBY Products Purchase and Distribution, we have considered the historical amount initially. Based on our analysis, we noted that the utilisation rate of the annual caps in relation to YNBY Products Purchase and Distribution under the Existing Framework Agreement were approximately 8.3% for the nine months ended 31 December 2023, 8.3% for the year ended 31 December 2024 and 1.9% for the year ended 31 December 2025. We have discussed and understood from the Management that the aforesaid low utilisation rates were mainly attributable to (i) the Group's Hong Kong distributor underwent a change in shareholding, which resulted in the audited actual revenue for the year ended 31 December 2025 being lower than the projection made in the prior year, with sales amounts of approximately HK\$6.82 million, HK\$17.6 million and HK\$0.4 million for the year ended 31 December 2023, 2024 and 2025, respectively; and (ii) the impact of United States tariff war, as a result that overseas sales demand and the Group's corresponding procurement decreased. Therefore, the YNBY Products purchased and distributed by the Group did not reach the level originally estimated at the material time, attributable to the aforesaid factors. The Proposed Annual Caps in relation to YNBY Products Purchase and Distribution were determined with reference to the factors as set out in this letter below. Based on the prevailing information available to them and barring unforeseen circumstances, the Management expects that the volume and demand for products and services which the Group requires, and where appropriate, to purchase from Yunnan Baiyao Group, for the years ending 31 December 2026, 2027 and 2028 shall reach the estimated level of demand as projected.

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However, it should also be noted that the 2026 YNBY Products Purchase and Distribution Annual Cap, the 2027 YNBY Products Purchase and Distribution Annual Cap and the 2028 YNBY Products Purchase and Distribution Annual Cap have been substantially reduced to approximately HK\$48.0 million. Given the aforesaid reasons for and factors effecting the historical utilisation rate and historical transaction amount, we have performed additional analysis as set out below. The Proposed Annual Caps in relation to YNBY Products Purchase and Distribution of HK\$48.0 million was primarily based on, among others, (i) the historical transaction amounts in respect of the YNBY Products Purchase and Distribution purchased by the Group; (ii) the volume of sales of YNBY Products which the Group is expected to procure based on the Group's business plan for the expansion of market shares of YNBY Products in the overseas markets; and (iii) the market trend and demand for products that share similar nature and uses with YNBY Products for the upcoming three years.

In this connection, the Management considered that there is a need to ensure the Proposed Annual Caps in relation to YNBY Products Purchase and Distribution, to the extent possible, able to cater for the aforesaid historical and potential fluctuations as well as any unexpected increases with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of the Group temporarily ceasing to act as a distributor of Yunnan Baiyao Group and purchase and distribute YNBY Products in overseas markets during the relevant period.

Having considered that (i) our aforesaid analysis on the Proposed Annual Caps in relation to the YNBY Products Purchase and Distribution; (ii) the reasons for the historical low utilisation rate as above-mentioned are unforeseen circumstances; and (iii) the Proposed Annual Caps in relation to the YNBY Products Purchase and Distribution are formulated based on Yunnan Baiyao Group's (a) the historical transaction amounts in respect of the YNBY Products Purchase and Distribution purchased by the Group; (b) the volume of sales of YNBY Products which the Group is expected to procure based on the Group's business plan for the expansion of market shares of YNBY Products in the overseas markets; and (c) the market trend and demand for products that share similar nature and uses with YNBY Products for the upcoming three years, we concur with the Management and considered the basis for determining the Proposed Annual Caps in relation to the YNBY Products Purchase and Distribution under the 2026 Framework Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Summary of our analysis on the Proposed Annual Caps

Having considered the aforesaid factors and analysis, we considered the basis for determining the Proposed Annual Caps under the 2026 Framework Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that (i) the terms under the 2026 Framework Agreement are on normal commercial terms and are fair and reasonable; and (ii) the transactions under the 2026 Framework Agreement are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the 2026 Framework Agreement (including the annual caps) together with the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 26 years of experience in corporate finance industry.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers to be notified to Company and the Stock Exchange.

Saved as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares 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 AND/OR CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, save for the 2026 Framework Agreement and the Existing Framework Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor any of their close associates had interest in any business apart from the Group's business which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there has not been any material adverse change in the financial or trading position of the Group since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

7. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualifications of the expert who has given its opinions or advice or statements as contained in this circular:

Name	Qualification
Red Sun Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

The letter given by the above expert is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been, since 31 December 2025 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the (i) 2026 Framework Agreement and (ii) the written consent of Red Sun Capital Limited as referred to in the section headed “QUALIFICATION AND CONSENT OF EXPERT” in this appendix will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (www.0030.com.hk) for not less than 14 days before the date of the SGM and copies of the aforementioned documents shall be available for inspection at the SGM.

NOTICE OF SPECIAL GENERAL MEETING



雲白國際有限公司
YNBY International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00030)

NOTICE OF SPECIAL GENERAL MEETING

NO refreshments, NO drinks, and NO corporate gift will be served or distributed to attendees at the special general meeting.

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of YNBY International Limited (the “**Company**”) will be convened and held at 32/F Cambridge House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong on Friday, 5 June 2026 at 3:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendment(s) the following resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

1. (a) the entering into of the 2026 Framework Agreement dated 18 March 2026 (as defined in the circular of the Company dated 15 May 2026 (the “**Circular**”)) between the Company and Yunnan Baiyao Group Co., Ltd. (a copy of which has been produced to this meeting marked “**A**” and signed by the chairman of this meeting for the purpose of identification), and the transactions contemplated thereunder with the relevant proposed annual caps in relation to such transactions from the Effective Date (as defined in the Circular) to the third anniversary of the Effective Date as set out in the Circular, be and are hereby approved, confirmed and ratified; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) any one or more directors (“**Director(s)**”) of the Company (the “**Board**”) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of in connection with the implementation of or giving effect to the 2026 Framework Agreement and all matters incidental thereto or in connection therewith.”

By Order of the Board
YNBY International Limited
Tang Ming
Executive Director
&
Chief Executive Officer

Hong Kong, 15 May 2026

Notes:

- (i) any shareholder of the Company (“**Shareholder(s)**”) entitled to attend and vote at the SGM 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 may appoint more than one proxy to represent him and vote on his/her behalf. A proxy need not be a Shareholder.
- (ii) In the case of joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the above SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as 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.
- (iii) In order to be valid, a form of proxy must be completed, signed and returned to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the SGM (or any adjourned meeting thereof) if they so wish.
- (iv) For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 1 June 2026 to Friday, 5 June 2026, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 29 May 2026.
- (v) If typhoon signal No. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is in effect any time and remains in force 2 hours before the time of the SGM, the meeting will be postponed. The Company will post an announcement on the websites of Company at www.0030hk.com and on The Stock Exchange of Hong Kong Limited’s website at www.hkexnews.hk to notify Shareholders of the date, time, and place of the rescheduled meeting.