

24 November 2025

*The Independent Board Committee and the Independent Shareholders of
Charmacy Pharmaceutical Co., Ltd.*

Dear Sirs,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO FRAMEWORK LOAN AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the New Framework Loan Agreement (the “**New Framework Loan Agreement**”) together with its proposed annual caps for the three years ending 31 December 2028 (the “**Annual Caps**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 November 2025 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, on 20 October 2025 (after trading hour), the Company and Jiangyao have entered into the New Framework Loan Agreement, pursuant to which Jiangyao agrees to provide a loan facility not exceeding the maximum limit as authorised by the statutory approval authorities of both parties to the Group for a term of three years commencing from the 1 January 2026.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, Jiangyao is a controlling shareholder of the Company, interested in 51,470,000 H Shares, representing approximately 47.66% of the total issued share capital of the Company. Pursuant to the Listing Rules, Jiangyao is a connected person of the Company. Accordingly, the New Framework Loan Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the New Framework Loan Agreement are expected to be higher than 5%, the New Framework Loan Agreement and the Annual Caps are subject to the reporting, announcement, shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Li Hanguo, Mr. Wan Chi Wai Anthony and Sunwah Kingsway Capital Holdings Limited
(Incorporated in Bermuda with limited liability)
7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong
新华汇富金融控股有限公司
香港金钟道89号力宝中心一座七楼
Tel 电话 : (852) 2283 7000 Fax 传真 : (852) 2877 2665 Hong Kong 香港 Beijing 北京 Shanghai 上海 Shenzhen 深圳 Vancouver 温哥华 Ho Chi Minh City 胡志明市

Mr. Guan Jian (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of the New Framework Loan Agreement and the Annual Caps have been determined on a fair and reasonable basis and entered into on normal commercial term and in the ordinary and usual course of business of the Company and in the interest of the Company and Shareholders as a whole; and (ii) to vote in favour of the resolutions to be proposed at the EGM. We, Kingsway Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Framework Loan Agreement and the Annual Caps. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have acted as independent financial adviser to the independent shareholders of the Company in relation to continuing connected transactions of the Company, details of which are set out in the circular of the Company dated 9 December 2024. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our recommendation 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 information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquires and careful consideration by the Directors and the management of the Company and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have also assumed that the information referred to in the Circular will continue to be true, accurate and complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the Shareholders as soon as practicable. We have no reason to suspect that any relevant information has been withheld,

nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospect of the Group or any of their associates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the continuing connected transactions contemplated under the Framework Loan Agreement and the Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background information of the parties to the Framework Agreements and the Annual Caps

Information of the Company and the Group

As stated in the Letter from the Board, the Company is a joint-stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the pharmaceutical distribution business. It mainly distributes western medicine, Chinese patent medicine and healthcare products to downstream distributors and retail terminals, as well as provides consultation service on pharmaceutical products.

The table below sets forth a summary of the financial highlights of the Group for the two years ended 31 December 2024 as extracted from the annual report of the Company for

the year ended 31 December 2024 (the “**2024 Annual Report**”) and the six months ended 30 June 2025 as extracted from the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”):

	For the year ended 31 December		For the six months ended 30 June	
	2023	2024	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	4,403,633	4,435,461	2,347,185	2,155,071
Net profit	51,345	53,284	26,747	21,739

Comparison between the years ended 31 December 2023 and 2024

The total revenue of the Group slightly increased from approximately RMB4,403.6 million for the year ended 31 December 2023 to approximately RMB4,435.5 million for the year ended 31 December 2024, representing an increase of approximately 0.7%. According to the 2024 Annual Report, the slightly increase of total revenue of the Group was because of (i) focusing on the nontendering market and intensifying the brand cooperation; and (ii) strengthening the supply chain advantages and enhancing the customer satisfaction.

The net profit of the Group decreased by approximately 3.6% to RMB51.3 million for the year ended 31 December 2024 from RMB53.3 million for the year ended 31 December 2023.

Comparison between the six months ended 30 June 2024 and 2025

The total revenue of the Group slightly decreased from approximately RMB2,347.2 million for the six months ended 30 June 2024 to approximately RMB2,155.1 million for the six months ended 30 June 2025, representing a decrease of approximately 8.2%. According to the 2025 Interim Report, the decrease of total revenue of the Group was due to (i) a slowdown in macroeconomic growth, which exerted pressure on the business performance

of both upstream and downstream industries, coupled with a relatively high base in the first quarter of 2024 and (ii) the deepening implementation of centralised drug procurement policies has led to a reduction in the end prices of certain pharmaceuticals, resulting in a contraction in the volume of some drug-related operations.

The net profit of the Group decreased by approximately 18.7% to RMB21.7 million for the six months ended 30 June 2025 from RMB26.7 million for the six months ended 30 June 2024.

Information of Jiangyao

Jiangyao is a company incorporated in the PRC with limited liability. It is principally engaged in the wholesale and retail of medicines and the sales of food, disinfection equipment and Class III medical devices. It is a Jiangxi provincial state-owned enterprise, owned as to (i) 30.50% by 江西省國有資本運營控股集團有限公司 (Jiangxi State Capital Operation Holding Group Co., Ltd.*) and its subsidiary 江西國控資本有限公司 (Jiangxi State Holding Capital Co., Ltd.*), which is ultimately controlled by 江西省國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jiangxi Province*) and (ii) 69.50% by seventeen minority shareholders. Based on the information available to the Company and to the best knowledge of the Directors, none of the seventeen minority shareholders individually controlled more than 20% shareholding of Jiangyao.

2. Reasons and benefits for entering the New Framework Loan Agreement and the Annual Caps

Background of the New Framework Loan Agreement

As stated in the Letter from the Board, the signing of the New Framework Loan Agreement demonstrates the continuous financial support provided by Jiangyao, as the controlling shareholder of the Company, to the Group, and enables the Group to secure scalable, stable and reliable funding support to meet its operation needs. Taking into account (i) the financial situation of the Group; (ii) the cash level to be maintained for the daily operation of the Group; and (iii) the available sources of fundings, the Directors are of the view that entering into the New Framework Loan Agreement is in the interests of the Company and the Shareholders as a whole.

As discussed with the management of the Company, the Group generally obtain facility from over 15 commercial banks, but none of them grant the Group with the credit line over RMB500 million. The banking facility is normally for fixed term around one year and the success and timing of renewal would materially affect the liquidity of the Company. Hence,

the Directors consider that it is appropriate to have more option to obtain the facility. Additionally, as discussed with the management of the Company, the entering into of the New Framework Loan Agreement is in substance the extension of the established business relationship with Jiangyao under the Existing Framework Loan Agreement which will continue to benefit the Group. The Company is generally satisfied with the loan provided by Jiangyao under the Existing Framework Loan Agreement.

Having considered that (i) external financing is essential for the Group's daily operations; (ii) the success and timing of renewal of banking facility would materially affect the liquidity of the Company; (iii) the New Framework Loan Agreement allows the Group to have more options to obtain external financing for their daily operation; (iv) Jiangyao is more familiar with the capital structure, business operations, fundings needs and cash flow pattern of the Group than independent commercial banks in the PRC; and (v) the New Framework Loan Agreement does not restrict the Group to obtain facility from other independent commercial banks; and (vi) no material disputes or complaints against Jiangyao in relation the loan provided by Jiangyao, we concur with the Directors' view that the entering into the New Framework Loan Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the New Framework Loan Agreement and the Annual Caps

The principal terms of the New Framework Loan Agreement are summarized as follows:

Date	: 20 October 2025 (after trading hours)
Parties	: The Company (as borrower) and Jiangyao (as lender)
Term	: From 1 January 2026 to 31 December 2028
Principal amount	: The loan amount shall not exceed RMB500 million, being the maximum limit as authorised by the statutory approval authorities of both parties (i.e. their respective board meetings and shareholders' meetings)
Interest rate	: The interest rate shall be determined by the parties with reference to the Company's cost of financing from banks or financial

institutions in the same period

Repayment arrangement : Repayment arrangements shall be agreed by the parties and stated in the individual loan agreement

Early repayment : In the case of early repayment by the Company, interest shall be paid according to the actual duration of drawdown

Default : If the Company fails to repay the principal and accrued interests of the loan or commits any of the default events as specified under the individual loan agreement, the lender shall have the right to recover that particular loan on demand

Security : In accordance with Jiangyao's financial and credit approval requirements, the Company shall provide Jiangyao with its or its subsidiaries' inventories as a collateral. The specific ratio security value over the individual loan amount depends on the negotiation between the parties and the actual situation

Condition Precedent : The New Framework Loan Agreement is subject to both parties obtaining their respective internal approval in relation to the entering of the New Framework Loan Agreement and the transaction contemplated thereunder

Annual caps and its basis of determination

A summary of the historical amount under the Existing Framework Loan Agreement for the two years ended 31 December 2024 and nine months ended 30 September 2025 and the proposed annual caps under the New Framework Loan Agreement for the three years ending 31 December 2028 are set out in the table below:

Historical transaction amount			Proposed annual caps		
Year ended 31 December 2023	Year ended 31 December 2024	For the period ended 30 September	Year ending 31 December 2026	Year ending 31 December 2027	Year ending 31 December 2028

		2025			
(RMB'million)	(RMB'million)	(RMB'million)	(RMB'million)	(RMB'million)	(RMB'million)
92	150	150	500	500	500

As discussed with the management of the Company, the annual borrowing caps for the maximum aggregate amount which can be borrowed by the Group on any single day were determined after having considered (a) the need for sufficient working capital of the Group for business development and expansion due to (i) the Group's accelerated expansion of its pharmaceutical business, focusing on building a comprehensive retail network in Guangdong Province and surrounding areas. In particular, the Group's selling expenses amounted to RMB120.44 million in 2024, representing a compound annual growth rate (CAGR) of 9.24% in the past five years. We have reviewed the annual report of the Company for each of the four years ended 31 December 2024 for such increase in the selling expenses while the number of customers of the Group increased from 10,915 as at 31 December 2020 to 14,429 as at 31 December 2024; (ii) the anticipated increase in direct purchases from branded pharmaceutical manufacturers, which will require adequate funding to support larger procurement and inventory turnover, enabling the Group to enhance its product line and strengthen channel control; (iii) the ongoing healthcare reforms that are creating new market opportunities, especially in non-public healthcare institutions and retail terminal market. In particular, the deepening of national and provincial healthcare reform policies is bringing structural opportunities to terminal channels such as standalone retail pharmacies and private hospitals. The Group considers the following trends and developments to be of particular relevance: (1) emerging value of retail pharmacy channels – Recent policies such as 《廣東省醫療保障局關於推動集採藥品進基層醫療機構、進民營醫療機構、進零售藥店的通知》粵醫保函[2025]208 號 (Notice of the Guangdong Medical Security Bureau on Promoting the Inclusion of Centrally Procured Drugs into Primary Medical Institutions, Private Medical Institutions and Retail Pharmacies (Yue Yi Bao Han [2025] No. 208*)) (the “**Notice**”) actively encourage the transfer of common and chronic disease prescriptions to conveniently located community pharmacies, aiming to improve patient access to medication. This trend is expected to result in more stable customer traffic and sales growth for retail pharmacies, thereby driving revenue for pharmaceutical distribution enterprises, (2) continuous growth of the online pharmacy market – According to data from menet.com.cn, total retail terminal drug sales (including physical and online pharmacies) reached RMB574.0 billion in 2024, representing a year-on-year increase of 3.7%. Drug sales through online pharmacies amounted to RMB75.8 billion in 2024, representing a year-on-year increase of 14.4% compared to 2023. Instant retail sales

through pharmacy platforms (including pharmaceutical and non-pharmaceutical products) reached RMB48.7 billion, representing an increase of 31.3% year-on-year. The continued expansion of online medical insurance payment channels, together with the release of hospital prescription outflows and the deepening integration of online and offline channels, is expected to sustain the rapid growth momentum of the online pharmacy market; and (3) rising demand for drug distribution to primary-level institutions – With the government's ongoing efforts to promote the downward allocation of medical resources, pharmaceutical supply demand from primary medical institutions and retail pharmacies is expected to increase substantially. However, existing logistics and service networks still face constraints in coverage and efficiency, giving rise to greater market space for professional pharmaceutical distribution services. Against this backdrop, Guangdong Province, as one of the major pharmaceutical retail markets in China, is projected to maintain significant growth in the coming years. This will require the Group to reserve adequate funding to seize opportunities arising from policy support, market expansion, and integration of new retail channels within the healthcare reform framework; and (iv) the importance of maintaining liquidity to navigate the cyclical nature of the pharmaceutical industry and market fluctuations, ensuring the Group can respond to strategic acquisition opportunities and support its growth objectives; and (b) the business relationship with the existing commercial banks by using their financing services, as such, the Group aims to maintain a portion of over 50% of total financing with existing commercial banks. We reviewed the maximum amount of financing of the Group on any single day in 2023, 2024 and nine months period from 1 January to 30 September 2025 of approximately RMB1,130 million, RMB1,428 million and RMB1,648 million respectively and the Annual Caps represent less than 50% to the maximum amount of financing of the Group granted by the independent commercial banks and Jiangyao to the Group on any single day in 2023, 2024 and nine months period from 1 January to 30 September 2025.

We have reviewed the Notice which was published by Healthcare Security Administration of Guangdong Province on 9 October 2025. According to the Notice, it also aim to protect the supply of medicines to rural and remote areas by strengthening the distribution and scheduling of medicines to rural and remote areas. We have also reviewed the website of menet.com.cn and noted that menet.com.cn is organized by a subsidiary of National Medical Products Administration Institute of Medical Economics which we consider the information is reliable.

In light of the above, in particular, (i) continuous growth of the pharmacy market and (ii) the purpose of maintaining business relationship with existing commercial

banks by using their financing services, we concurred the view of the Director that the proposed annual caps under the New Framework Loan Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Interest rate

For our due diligence purpose, we have obtained and reviewed interest rate from all contracts entered into between the Group and the Jiangyao for each of the two years ended 31 December 2024 and the nine months ended 30 September 2025 against the contracts entered into between the Group and other commercial banks for the same period. We noted that the interest rates offered by Jiangyao were not higher than the interest rates offered/quoted by other independent commercial banks in the PRC for loan of similar nature and under similar terms.

Given that (i) the contracts under the Existing Framework Loan Agreement and the three contracts from other commercial banks for each of the two years ended 31 December 2024 and the nine months ended 30 September 2025; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2024, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by Jiangyao had no less favourable than the terms offered by other commercial banks.

Security

As confirmed with the management of the Company, no loan facility from Jiangyao was with inventories charged as security since 1 January 2023.

In addition, as discussed with the management of the Company, during their negotiation with the commercial banks on the security, floating charge is also an option stated in commercial bank' standard charge agreement. We have reviewed such standard charge agreement and noted the same. On the basis of our review, we note that (i) security by way of floating charge is not uncommon; and (ii) the term of use of inventories as collateral under the New Framework Loan Agreement was in line with

the term offered by other independent commercial bank. As such, we consider that the terms in relation to security under the New Framework Loan Agreement is fair and reasonable and on normal commercial terms.

Furthermore, various internal control measures will be put in place within the Group to ensure compliance with the terms, including interest rate and security, under the New Framework Loan Agreement (as further discussed in the section headed “Internal control measures within the Group” below).

In light of the above, in particular, the comparison of the interest rate and security with two major commercial banks under internal control measures before the signing of each individual loan agreement under the New Framework Loan Agreement, we are of the view that the terms of the New Framework Loan Agreement and the continuing connected transactions contemplated thereunder are on normal commercial terms, fair and reasonable and on terms no less favourable to the Company than terms available from independent third parties.

4. Internal control measures within the Group

As disclosed in the Letter from the Board, in order to ensure the terms of the New Framework Loan Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no less favourable to the Group than terms offered available to or from the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the designated staff of the capital management department of the Company will closely monitor the outstanding loan balances to be repaid under the Framework Loan Agreement and report the latest status of the loans granted under the Framework Loan Agreement to the capital management department of the Company on a monthly basis to ensure that the outstanding loan balances will not exceed the Annual Caps. If the outstanding loan balances amount to 80% of the relevant Annual Caps or above, the capital management department of the Company will promptly alert the management of the Company to ensure that the actual transaction amount will not exceed the proposed Annual Caps;
- (ii) the capital management department of the Company will report to the senior management on a monthly basis and the Directors (including the independent non-executive Directors) on a half-yearly basis in relation to the transaction status;

- (iii) before the signing of each individual loan agreement under the Framework Loan Agreement, the financing officer of capital management department of the Company will (a) check the benchmark lending interest rate published by the People's Bank of China on the website of the People's Bank of China; (b) obtain quotation on the interest rate from at least two major commercial banks that are principal bankers of the Group, and compare the interest rate of the individual loan with such interest rates provided by the commercial banks to confirm the interest rate charged by Jiangyao is in line with the market rates and the individual loan agreements are entered into on normal commercial terms and would be no less favourable to the Group than those available from independent third parties; and (c) compare the specific ratio of security to be provided by the Group with the collateral value of the loans granted by two major commercial banks that are principal bankers of the Group; and the comparison result would be passed to the manager of the capital management department for further approval before further submitted to Mr. Yao Chuanglong, the chief executive officer of the Company for final approval. Such multi-level approval process ensures that the terms of the individual loan agreement, including the specific ratio of security to be provided by the Group, would be fair and reasonable and no less favourable to the Company than those available from independent third parties;
- (iv) the Company's external auditor will conduct an annual review of the transactions entered into under the Framework Loan Agreement to ensure that the transactions amount is within the Annual Caps and the transactions is in accordance with the terms set out in the Framework Loan Agreement; and
- (v) the Company's independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the Framework Loan Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the management of the Company, we noted that (i) the capital management department of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the terms and policy; (ii) the auditor will conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the management of the Company, the Group will endeavour to carry out adequate

supervision over the terms and policy under the New Framework Loan Agreement against the Annual Caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken.

We have also reviewed (a) the internal control procedures of the Group on all loans with Jiangyao in respect of internal control measure point (iii) above; (b) all monthly record of capital management department for the usage of the loan with Jiangyao in respect of internal control measure points (i) and (ii) above; (c) all reporting record in relation to the loans with Jiangyao from capital management department to the Directors in respect of internal control measure point (ii) above; (d) unqualified letter issued by the auditor of the Company that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the two years ended 31 December 2024 in respect of internal control measure point (iv) above; and (e) the confirmation from the Company's independent non-executive Directors in relation to the continuing connected transactions of the Group for the two years ended 31 December 2024 in respect of internal control measure point (v) above and noted that (i) the Company has adequate internal control procedures as aforementioned; (ii) the loan with Jiangyao and the samples of banking facilities between the Group and the independent commercial banks, reviewed by us are consistent with the relevant internal control measures as aforementioned; (iii) the independent non-executive Directors will conduct an annual review of the transactions entered into under the New Framework Loan Agreement to ensure that the Company has complied with its internal approval process; and (iv) the auditor will conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company.

In view of the above, in particular, (i) the comparison of the interest rate and security with two major commercial banks under internal control measures before the signing of each individual loan agreement under the New Framework Loan Agreement for preventing that the terms offered by Jiangyao is no less favourable than the terms offered by other commercial banks and (ii) the monitoring the outstanding loan balance for preventing any exceed caps, we consider that the internal control measure is effective, if implemented strictly by the Group, the internal control are sufficient to safeguard Shareholders' interest in conducting the New Framework Loan Agreement

and the continuing connected transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal control mechanism as mentioned above.

For further details of the internal control measures adopted by the Group, please refer to the section headed "INTERNAL CONTROL MEASURES" in the Letter from the Board.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the New Framework Loan Agreement is entered into in the ordinary and usual course of business of the Company; and (ii) the New Framework Loan Agreement and its respective Annual Caps are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions in this regard.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited


Stanley Chung
Managing Director


Jack Wan
Responsible officer

Note:

Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Mr. Jack Wan is a responsible officer of type 6 (advising on corporate finance) regulated activities and has more than nine years of experience in corporate finance and investment banking. Both Mr. Stanley Chung and Mr. Jack Wan have participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*