

11 March 2025

To the Offer Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
SHANGGU SECURITIES LIMITED FOR AND ON BEHALF OF
BEIJING TONG REN TANG (CAYMAN) LIMITED FOR
ALL THE SHARES IN CLSA PREMIUM LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
BEIJING TONG REN TANG (CAYMAN) LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Share Transfer Agreement and the Offer. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, the Board was informed by the Offeror that the Offeror and the Vendor entered into the Share Transfer Agreement on 18 February 2025, pursuant to which the Vendor conditionally agreed to transfer and the Offeror conditionally agreed to acquire 813,316,000 Shares, representing 40% of the total issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$97,994,000 (equivalent to approximately HK\$0.1205 per Sale Share), which shall be paid in the following manner:

- (a) the Completion Payment, being HK\$29,398,200 was paid by the Offeror to the Vendor on the Completion Date; and
- (b) the Deferred Payment, being HK\$68,595,800 shall be paid by the Offeror to the Vendor within six months after the effective date of the Share Transfer Agreement.

The Offeror also executed the Share Charge on 18 February 2025 in favour of the Vendor to secure, among others, its payment of the Deferred Payment and the Offeror shall pay Interest to the Vendor for the period from the Completion Date to the date on which the Deferred Payment is fully settled.

For avoidance of doubt, Completion took place on 18 February 2025 upon the completion of the transfer of the Sale Shares and the settlement of the Completion Payment and, without prejudice to the right of the Vendor to receive the Deferred Payment and the Interest, is not subject to the Deferred Payment having been paid.

Immediately prior to Completion, none of the Offeror nor the parties acting in concert with it (excluding the Vendor) was interested in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Immediately after Completion, the Vendor continues to hold the Retained Shares (i.e. 386,994,001 Shares), representing approximately 19.03% of the issued share capital of the Company as at the Latest Practicable Date. Due to the Deferred Payment which will be settled after Completion and the Share Charge, the Vendor is presumed to be acting in concert with the Offeror under Class (9) of the definition of “acting in concert” under the Takeovers Code until the full settlement of the Deferred Payment by the Offeror. The Offeror does not expect to make early repayment of the Deferred Payment in full prior to the close of the Offer.

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (including the Vendor) are interested in 1,200,310,001 Shares, representing approximately 59.03% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, immediately following Completion, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it (including the Vendor)).

THE OFFER

As disclosed in the “Letter from Shanggu” in the Composite Document, Shanggu, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following terms:

For each Offer Share HK\$0.1229 in cash

The Offer Price of HK\$0.1229 per Offer Share is equivalent to the Sale Price payable by the Offeror together with the Interest accruing on the Deferred Payment for a period of six months from the Completion Date divided by the number of the Sale Shares, i.e. 813,316,000 Shares.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. The Offer is extended to all issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it (including the Vendor)).

The Offeror intends to finance the consideration payable under the Offer in full with its internal financial resources.

The Company confirms that as at the Latest Practicable Date, the Company does not have any dividend or distribution recommended, declared or made but unpaid and the Company does not intend to declare any dividend or make other distribution during the Offer Period.

Following discussions with the Executive, the Company notes that its announcement dated 15 July 2024 should have been considered to be an announcement made under Rule 3.7 of the Takeovers Code. Accordingly, the Offer Period in relation to the Company commenced from the publication of such announcement on 15 July 2024. Please see the announcement of despatch of this Composite Document dated today for further clarification by the Company in this regard.

Further details of the terms of the Offer and the procedures for acceptance and settlement are set out in the “Letter from Shanggu” in the Composite Document, Appendix I “Further terms and procedures for acceptance of the Offer” to the Composite Document and the accompanying Form of Acceptance.

Offer Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer which are included in the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as contained in the Composite Document.

INFORMATION ON THE GROUP

The Company is a holding company and its subsidiaries are principally engaged in the healthcare business and its Shares are listed on the Main Board of the Stock Exchange (stock code: 6877). The Company’s foreign exchange trading business has been completely discontinued since May 2023 and it currently has no other operating businesses other than its healthcare business.

Set out below is a summary of the certain consolidated financial information of the Company for the two financial years ended 31 December 2022 and 31 December 2023 as extracted from the 2023 Annual Report, and for the six months ended 30 June 2023 and 30 June 2024 as extracted from the 2024 Interim Report:

	For the year ended 31 December		For the six months ended 30 June	
	2022	2023	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	45,854	201,488	143,008	55,501
Profit/(loss) before taxation	(30,979)	11,587	6,858	7,436
Profit/(loss) after taxation	(31,052)	9,842	5,554	6,260
Total comprehensive income/ (expenses)	(37,957)	9,065	5,074	5,741
	As at 31 December		As at 30 June	
	2022	2023	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Total assets	284,310	251,775	268,733	262,097
Total liabilities	53,510	11,910	32,859	16,491
Net assets	230,800	239,865	235,874	245,606

The following financial information is extracted from the unaudited condensed consolidated management accounts of the Company as of 31 December 2024:

	As at 31 December 2024
	<i>HK\$'000</i>
	(Unaudited)
Net cash position	205,171
Total assets	280,283
Total liabilities	35,776
Net assets attributable to equity holders of the Company	244,507

Further details of the Group are set out in Appendix II “Financial Information of the Group” and Appendix III “General Information of the Group” to the Composite Document.

VALUATION OF THE GROUP

As disclosed in the Joint Announcement and the announcements of the Company dated 29 December 2024 and 14 January 2025, as a centrally regulated financial enterprise under the supervision of the Ministry of Finance of the PRC, the Vendor is required to prepare a valuation report to comply with requirements under Article 18(5) of the Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (No. 54 of the Ministry of Finance). China Enterprise Appraisals Consultation Co., Ltd., an independent valuer based in the PRC, has been appointed to assess the market value of the entire shareholders' equity of the Company as of 31 December 2023. Pursuant to the valuation report issued by China Enterprise Appraisals Consultation Co., Ltd., the appraised value of the Company as of 31 December 2023 was HK\$244,984,700. For the said full valuation report prepared by China Enterprise Appraisals Consultation Co., Ltd., please refer to Appendix V.

As disclosed in the Joint Announcement and the Company's announcement dated 14 January 2025, Odysseus Capital Asia Limited, being one of the financial advisers to the Company, has also been appointed as the independent valuer to assess the market value of the entire shareholders' equity of the Company as of 31 December 2024 in compliance with Rule 11 of the Takeovers Code. Pursuant to the valuation report issued by Odysseus Capital Asia Limited, the appraised fair value of the entire equity interest of the Company as of 31 December 2024 was HK\$250,801,000. For the said full valuation report prepared by the Odysseus Capital Asia Limited, please refer to Appendix VI.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) after Completion and as at the Latest Practicable Date:

Shareholders	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate % of the issued Shares ¹	Number of Shares	Approximate % of the issued Shares ¹
Offeror and parties acting in concert with it				
Offeror	–	–	813,316,000	40.00
Vendor ²	<u>1,200,310,001</u>	<u>59.03</u>	<u>386,994,001</u>	<u>19.03</u>
Subtotal of the Offeror and parties acting in concert with it (including the Vendor)	1,200,310,001	59.03%	1,200,310,001	59.03%
Independent Shareholders	<u>832,979,999</u>	<u>40.97</u>	<u>832,979,999</u>	<u>40.97</u>
Total	<u>2,033,290,000</u>	<u>100.00</u>	<u>2,033,290,000</u>	<u>100.00</u>

Note:

1. Certain percentage figures in the above table are subject to rounding adjustments.
2. Due to the Deferred Payment which will be settled after Completion and the Share Charge, the Vendor is presumed to be acting in concert with the Offeror under Class (9) of the definition of “acting in concert” under the Takeovers Code until the full settlement of the Deferred Payment by the Offeror.

As at the Latest Practicable Date, the Company has 2,033,290,000 Shares in issue. The Company does not have any other outstanding Shares, warrants, options, derivatives or other securities which are convertible into Shares or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), as at the Latest Practicable Date.

INFORMATION ON THE OFFEROR

Your attention is drawn to the “Letter from Shanggu” in the Composite Document for the information on the Offeror and its intention in relation to the Group.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP AND NO CHANGE OF BOARD COMPOSITION

As set out in the section headed “INTENTIONS OF THE OFFEROR REGARDING THE GROUP” and “THE BOARD COMPOSITION OF THE COMPANY” in the “Letter from Shanggu” in the Composite Document, it is the intention of the Offeror to continue and support the existing principal businesses of the Group and to work closely with the Company’s management team to drive both customer and shareholder value. As at the Latest Practicable Date, (i) the Offeror does not have any plans to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business); and (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror will conduct a strategic review of the Group’s assets, corporate structure, capitalization, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the completion of the Offer with a view to optimizing the Group’s activities and development, and may make such changes as the Offeror deems necessary, appropriate or beneficial for the Group following its strategic review and/or taking into account any future developments.

Under the Share Transfer Agreement, upon Completion, the Offeror shall use its best endeavor to procure the Company to take all necessary actions to ensure that (subject to compliance with the articles of the Company, the Listing Rules and the Takeovers Code), for the period from the Completion Date to the day the Vendor ceases to be a shareholder of the Company, at least two candidates nominated by the Vendor are appointed as Directors.

The Offeror does not have any intention to nominate new Directors to the Board but may do so in the future. If the Offeror wishes to nominate new Directors to the Board in the future, it shall be with effect from the earliest time permitted under the Takeovers Code. Further announcement(s) will be made by the Company in compliance with the requirements of the Listing Rules as and when there are changes in the composition of the Board. As at the Latest Practicable Date, save for the agreed arrangements regarding the Board composition of the Company under the Share Transfer Agreement as set out in the above paragraph, there is no agreement between the Offeror and the Vendor regarding the voting in respect of appointment of new Directors.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As set out in the section headed “PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY” in “Letter from Shanggu”, the Offeror intends the Company to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. The Stock Exchange has stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the total issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The directors of the Offeror and new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, which comprises the Independent Non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Wu Jianfeng and Ms. Hu Zhaoxia, has been established by the Company to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Mr. Li Jiong and Mr. Xu Jianqiang, both Non-executive Directors of the Company, also concurrently serve as the chief treasury officer and the deputy head of the equity derivatives business line, respectively, of CITIC Securities Company Limited, the holding company of the Vendor. Mr. Ma Anyang, an Independent Non-Executive Director of the Company, is a director of certain wholly-owned subsidiaries of Beijing Tong Ren Tang Chinese Medicine Company Limited, the holding company of E-comm Offshore Holding Limited, which in turn is a shareholder of the Offeror. As such, Mr. Li Jiong, Mr. Xu Jianqiang and Mr. Ma Anyang are considered to have direct or indirect interests in the Offer by virtue of their respective relationship with the Vendor or the Offeror Group and as a result have not been appointed as members of the Independent Board Committee.

Somerley has been appointed as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

For the opinions and advice of the Independent Financial Adviser, please refer to the “Letter from the Independent Financial Adviser” as contained in the Composite Document.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 26 to 27 of the Composite Document which contains the recommendation of the Independent Board Committee to the Offer Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 28 to 52 of the Composite Document which contains the advice of the Independent Financial Adviser to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice. The Offer Shareholders are encouraged to read these letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

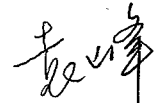
Your attention is drawn to the additional information contained in the appendices to the Composite Document. Further details on the terms and the procedures for acceptance and settlement of the Offer are set out in Appendix I “Further terms and procedures for acceptance of the Offer” to the Composite Document and the accompanying Form of Acceptance. You are also recommended to read carefully the Form of Acceptance for further details in respect of the procedures for acceptance and settlement of the Offer.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

By order of the Board
CLSA Premium Limited

Yuan Feng
Executive Director

By order of the Board
CLSA Premium Limited

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned above the printed name.

Yuan Feng
Executive Director