



The Directors

CLSA Premium Limited
Suite 810, Level 8,
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Hong Kong

18 February 2025

Dear Sirs

VALUATION OF 100% EQUITY INTEREST IN CLSA PREMIUM LIMITED AND ITS SUBSIDIARIES

As per your instructions, we have carried out a valuation on behalf of CLSA Premium Limited (“CLSA” or the “Company”) to determine the fair value of 100% equity interest of CLSA Premium Limited and its subsidiaries (together referred to as the “Group”) as of 31 December 2024 (the “Valuation Date”) in connection with the mandatory general offer for the acquisition of the outstanding issued share capital of the Company (the “Offer”) by the Offeror as set out in the joint announcement dated 18 February 2025 (“Announcement”) relating to the Offer.

Terms used herein are the same as those defined in the Announcement unless stated otherwise. The valuation and findings in this report will only be applied to the aforementioned purpose.

Basis of Valuation

We conducted our valuation research using a fair value basis, which is defined by the Hong Kong Financial Reporting Standard as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)”.

Our valuation was conducted in compliance with Rule 11 of the Takeover Codes and the International Valuation Standards issued by the International Valuation Standards Council. We carried out our valuation after gathering all the information relating to the Offer and the Company that we considered necessary to give us sufficient evidence to support our opinions on the subject asset. The valuation report contains all of the information necessary to properly comprehend the valuation. Our valuation report's opinion on value is impartial, independent, and unbiased.

Sources of Information

Our valuation research was conducted based on our various discussions with the Company's management during our engagement, as well as our study, evaluation, and reliance on the data supplied and publicly accessible sources. Important information sources include the following:

- the Company's announcements in relation to the disposal of the Company's shares and the Offer dated 15 July 2024 and 29 December 2024;
- the Share transfer agreement entered between the Company and the Offeror dated 18 February 2025;
- the unaudited condensed consolidated management accounts of the Company for the year ended 31 December 2024 ("**Management Accounts**");
- the audited financial statements for the years ended 31 December 2022 and 2023;
- the unaudited interim report for the six months ended 30 June 2023 and 2024 (the "**Interim Results**");
- the group chart of the Group; and
- the Strategic Cooperation Agreement (the "**Strategic Cooperation Agreement**") entered between the Company and Beijing Tong Ren Tang (Cayman) Limited ("**TRT International**") and CasMo Bio-tech (Guangdong) Co., Ltd. ("**CBC**") as disclosed in the Company's announcement dated 18 November 2022.

The Company

Established in 2010, the Company was listed on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited ("**HKEX**") in 2013 and its listing was transferred to the main board in 2017 (Stock Code: 6877 HK). As of the date of this report, the Company was owned as to approximately 59.03% by CITIC Securities International Company Limited ("**CSI**"), 14.75% by KVB Holdings Limited and 5.23% by Hainan Province Cihang Foundation.

The Company is engaged in the distribution and sales of healthcare products and services across various markets, mainly in Hong Kong and the PRC. The Group operates a multifaceted business model in the healthcare sector, focusing on both B2B and B2C distribution channels, including a significant presence on popular short-form video platforms in the PRC.

The Company entered a strategic cooperation with TRT International and CBC as disclosed in the Company's announcement dated 24 October 2023 for the provision of original equipment manufacturing (“OEM”)/original design manufacturing (“ODM”) services in respect of its healthcare products. Within this partnership, TRT International offers brand support, while CBC provides product development advice. The Company is responsible for designing ODM products and serving as their global distributor. Leveraging its market knowledge, established distribution channels, and experienced marketing team, the Group oversees product promotion, distribution, and availability in Hong Kong and the PRC.

Following extensive market research, product design, and production planning, the first batch of ODM products was launched in February 2024 via B2B and B2C sales channels. The lineup includes 11 items formulated with traditional Chinese medicine (TCM) and incorporates CBC's Plant Low-temperature Extraction & Efficient Separation Integration Technology (PLEESIT). Key products include:

- (i) molecular Essence Drink with Ginseng and Hericium Monkey Head Mushroom;
- (ii) molecular Essence Drink with Ginseng and Cordyceps;
- (iii) molecular Essence Drink with Chrysanthemum and Blueberry;
- (iv) molecular Essence Drink with Lingzhi, Pueraria Root, and Chinese Wolfberry; and
- (v) molecular Essence Drink with Astragalus and Ginseng.

The following diagram summarizes the business model of the Company's sale and distribution of healthcare products (the "Healthcare Business"):



The Group's foreign exchange trading business has been completely discontinued since May 2023 and it currently has no other operating businesses other than the abovementioned healthcare business.

According to the Company's annual reports, the financial information of the Company for the years ended 31 December 2022 and 2023 are set out below:

<i>HK\$'000</i>	31 December 2022 (audited)	31 December 2023 (audited)
Profit attributable to the equity holders	(31,052)	9,842
Total Assets	284,310	251,775
Total Liabilities	53,510	11,910
Net assets attributable to equity holders of the Company	230,800	239,865

We have also reviewed the Management Accounts of the Company as of Valuation Date; key data are as follows:

<i>HK\$'000</i>	31 December 2024 (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

Valuation Approaches

The value of an asset, business or business interest can be conducted by one or more of the three generally accepted valuation approaches: asset-based approach, market approach and income approach.

Asset-Based Approach

A general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

Market Approach

As a general way of estimating a value indication of an asset, the market approach considers the prices of similar assets recently paid, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised asset relative to market comparables. For the market approach to be adopted, a sufficient number of comparable companies must be available for comparisons, along with the industry composition that is conducive in making such meaningful comparisons.

Income Approach

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing these benefits.

Selection of Valuation Approach

The fair value of the Company can be assessed by using one or more of the abovementioned valuation approaches. Under each approach, there are a number of methods that can be used to determine the fair value of the Company. Each valuation method uses a specific procedure to calculate the value and not a single business valuation approach or method is definitive. In determining which method or methods to use in this valuation, we have held discussions with the management and have taken the business nature, the current financial position and the future prospective of the Company into consideration.

In this valuation, since the Group had no bank indebtedness and net cash position accounted for approximately HK\$205,171,000 of its consolidated net assets attributable to shareholders of the Company as of the Valuation Date, we considered that it is more appropriate to use the sum-of-the-parts valuation primarily based on the asset-based approach, supported by the market approach for valuing the Healthcare Business. Income approach, which requires financial projections for the Healthcare Business, was considered to be inappropriate as the Company is engaged in the sale and distribution of consumer products, the financial projections of such business would require considerable assumptions, including the future revenue growth, pricing, etc. which are difficult to predict and verify, and such information is in any case not available to us. In this regard, we relied on the sum-of-the-parts valuation comprising the asset-based approach and the market approach in determining the fair value of the Company.

General Assumptions

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in our valuation analysis and in the preparation of the reported assessed figures. The assumptions are:

- there will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- inflation, interest rates and currency exchange rates will not differ materially from those presently prevailing;
- there will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business and the businesses of the Company's suppliers and distributors;
- there will be no major changes in the current taxation law in the areas in which the Company conducting its operation, including the rate of tax payable and all applicable laws and regulations remain unchanged;

- the Company will remain free from claims and litigation against the business or their customers that will have a material impact on value;
- the Company is unaffected by any statutory notice and that operation of the Company does not, and will not give rise to a contravention of any statutory requirements;
- the Company is not subject to any unusual or onerous restrictions or encumbrances;
- the account receivables and potential bad debt arising from the operation of the Company, if any, will not materially affect the business operations.

Valuation Methodologies

i) Asset-based Valuation

The key balance sheet items of the Company based on the Management Accounts as of the Valuation Date are set out above.

As stated, the Company had no bank borrowings and had a net cash position of approximately HK\$205,171,000 which represented approximately 83.9 percent of the condensed consolidated net assets attributable to equity holders of the Company. The directors of the Company have confirmed that as of the Valuation Date, the above net cash position was entirely unencumbered, free from any pledges or liens or any financial obligations and was not allocated to support the Company's other operating businesses.

ii) Market Approach

In general, there are two methods under the market approach for valuing the Healthcare Business, namely the guideline merged and acquired company methods and the guideline publicly traded company method. The guideline merged and acquired company method is based on acquisitions and sales of entire companies, divisions or certain equity interests of either publicly traded or private companies. The guideline publicly traded company method is based on the adoption of valuation multiples that are drawn from companies traded in major stock exchanges to the fundamental data of the subject company.

In this valuation, we have adopted the guideline publicly traded company method as there are sufficient comparable companies in the marketplace. In determining the appropriate valuation multiples, we have considered using profitability ratios such as price to earnings multiple and enterprise value to earnings before interests, tax, depreciation and amortization multiple that are used commonly in the market approach. However, we have not utilized these valuation multiples because the Healthcare Business has only a relatively short history of operation, which has affected the stability of its revenue stream and profitability, and therefore it would be relatively difficult to determine the normalized earnings for valuation purposes. In this regard, we have utilized the price to book ratio ("**PB Ratio**") which we considered more appropriate in the current life cycle of the Healthcare Business.

Net Book Value of Healthcare Business

As set out above, total net assets attributable to shareholders of the Company and the net cash position of the Company as of the Valuation Date amounted to HK\$244,507,000 and HK\$205,171,000 respectively. Since the Company had no other major business other than the Healthcare Business, we would estimate that the Healthcare Business had a net asset value of approximately HK\$39,336,000 for the purpose of conducting the market approach valuation.

Comparable Companies

We have identified a list of comparable companies (“**Comparable Companies**”) based on the below criteria:

- they are listed on recognized stock exchange in Mainland China and Hong Kong with a market capitalization of not more than HK\$1,000,000,000 as of the Valuation Date;
- they have an active trading profile and positive net assets attributable to equity holders as of the Valuation Date;
- they engage in similar business activities as the Company, i.e. healthcare business; and
- they operate in a similar geography as the Company, i.e. Mainland China and Hong Kong.

There are no direct comparable companies which are solely engaged in the sale and distribution of healthcare products but we have selected the following Comparable Companies which we considered appropriate for comparison:

Company Name	Stock Code	Descriptions
Herbs Generation Group Holdings Limited (“ Herbs Generation ”)	2593 HK	Herbs Generation Group Holdings Limited operates in the health and wellness industry. The company develops and markets a range of health products, including ganoderma sporo pollen, propolis extract, and other herbal supplements. Herbs Generation Group also engages in research and development to innovate new health solutions and expand its product offerings.

Company Name	Stock Code	Descriptions
PuraPharm Corporation Limited	1498 HK	PuraPharm Corporation Limited operates in the traditional Chinese medicine (TCM) industry. The company specializes in the research, development, production, and marketing of concentrated Chinese medicine granules (CCMG) and other TCM products. PuraPharm also engages in the cultivation of Chinese medicinal herbs and operates a chain of TCM clinics.
Hin Sang Group (International) Holding Company Limited	6893 HK	Hin Sang Group (International) Holding Co. Ltd. focuses on children's healthcare, Chinese medicines, and related projects. Established in 1996, it operates in Mainland China, Hong Kong, Macau, Taiwan, and Southeast Asia. The company offers design, manufacturing, marketing, sales, and logistics services, and actively participates in charity events.
Besunyen Holdings Company Limited	0926 HK	Besunyen Holdings Company Limited engages in the research, development, production, promotion, and sale of therapeutic tea products and pharmaceuticals. The company offers products like Besunyen Detox Tea and Besunyen Slimming Tea.
Zhongzheng International Company Limited	0943 HK	Zhongzheng International Company Limited is an investment-holding company engaged in the manufacture, trade, and sale of healthcare and household products. The company operates through segments including property development, healthcare and household products, coal mining, money lending, and primary land development.
AUSupreme International Holdings Limited	2031 HK	AUSupreme International Holdings Limited engages in the retail and wholesale of health supplements and personal care products. The company offers a variety of products, including beauty and nutrition supplements, brain and eye development products, and children's health products.

Company Name	Stock Code	Descriptions
Kunming Longjin Pharmaceutical Co., Ltd.	002750 SZ	Kunming Longjin Pharmaceutical Co., Ltd. develops medicines for cardiovascular, cerebrovascular, and metabolic diseases. Their products include digestive treatments, vitamins, minerals, enteral nutrition, immunology, first aid kits, and natural plant extracts like breviscapine, enhancing life quality through innovation.
Dali Pharmaceutical Co., Ltd.	603963 SH	Dali Pharmaceutical Co Ltd is involved in the production and sales of Chinese and western medicine injections. The company's main products include Xingnaojing injections and Shenmai injections. The other products include astragalus injections and mycorrhizal injections. Through its subsidiaries, it is also involved in the lease of offices and factory buildings, as well as the investment of equity.

PB Ratio of the Comparable Companies

In calculating the PB Ratio of the Comparable Companies, market capitalization of the Comparable Companies as of the Valuation Date were taken as numerator while net assets attributable to equity holders of the Comparable Companies from the latest available reporting date were taken as denominator.

The following table sets out the PB Ratio of the Comparable Companies as of the Valuation Date:

Company Name	PB Ratio
Herbs Generation	5.44
Purapharm Corporation Limited	1.67
Hin Sang Group (International) Holding Company Limited	1.43
Besunyen Holdings Company Limited	0.47
Zhongzheng International Company Limited	0.44
AUSupreme International Holdings Limited	0.92
Kunming Longjin Pharmaceutical Co., Ltd.	1.75
Dali Pharmaceutical Co., Ltd.	1.47
Median	1.45
Average	1.70

As set out in the table above, we believe it is inappropriate to include Herbs Generation in our comparable analysis as it is an outlier which was only listed a few days before the Valuation Date. We are of the opinion that its share price was greatly distorted by its IPO euphoria as a result of its high over-subscription rate of over 6,000 times in the public offer. Consequently, we have performed an adjusted PB Ratio analysis without Herbs Generation:

Company Name	PB Ratio
Purapharm Corporation Limited	1.67
Hin Sang Group (International) Holding Company Limited	1.43
Besunyen Holdings Company Limited	0.47
Zhongzheng International Company Limited	0.44
AUSupreme International Holdings Limited	0.92
Kunming Longjin Pharmaceutical Co., Ltd.	1.75
Dali Pharmaceutical Co., Ltd.	1.47
Adjusted Median	1.43
Adjusted Average	1.16

Equity Value of the Company

The calculation of equity value of the Company as of the Valuation Date based on the Management Accounts as of the Valuation Date is illustrated as follows:

	<i>HK\$'000</i>
Net assets attributable to equity holders of the Company as of the Valuation Date	244,507
Net cash position	205,171
Net assets of the Healthcare Business	39,336
Adopted PB Ratio for the Healthcare Business	1.16
Valuation of the Healthcare Business	45,630
Sum-of-the-parts valuation for 100% equity value of the Company	250,801

Limiting Conditions

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, the Company's representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of and have relied on the information and the Company's representations provided in arriving at our opinion of value.
- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant Companies' Ordinance.
- Odysseus Capital Asia Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the transaction described herein unless prior arrangements have been made.
- No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge beyond what is customarily employed by financial advisers.
- Our conclusions assume continuation of prudent Company policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
- This valuation report has been prepared solely as reference to the Announcement only.
- This report is confidential to the Company for the specific purpose to which it refers. In accordance with our standard practice, we must state that this valuation report is only for the purpose of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

Opinion of Value

Based on our analysis, it is our opinion that as of the Valuation Date, we are of the opinion that the fair value of 100% equity interest of the Company is reasonably represented in the amount of **HONG KONG DOLLAR TWO HUNDRED FIFTY MILLION EIGHT HUNDRED AND ONE THOUSAND ONLY (HK\$250,801,000)**.

Yours truly
For and on behalf of
Odysseus Capital Asia Limited



Joseph Chu *FCCA (Aust) MBA*
Chief Executive Officer

Note: Mr. Joseph Chu has been a Responsible Officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2003. He has over 30 years of experience in various advisory and valuation transactions for listed companies in Hong Kong. Mr. Joseph Chu is also a Responsible Officer of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.