



Pursuant to the Odysseus Report, the appraised fair value of the entire equity interest of the Company as of 31 December 2024 was HK\$250,801,000. We have reviewed and discussed with Odysseus the methodology used, and the bases and assumptions adopted, in appraising the fair value of the equity interest of the Company as set out in the Odysseus Report. Since the Group had no external borrowings and net cash position accounted for approximately HK\$205.2 million as at 31 December 2024, Odysseus considered that it is more appropriate to value the equity interest of the Company by using the sum-of-the-parts valuation primarily based on the asset based approach, supported by the market approach adopting price-to-book ratios of comparable companies for valuing the healthcare business of the Group. As analysed in the section above headed “Information and prospects of the Group”, we consider the new healthcare business to be at its early stage and cannot be regarded as a stabilised business, and therefore does not consider a valuation based on the earnings multiples of the new healthcare business (e.g. price-to-earnings) to be a prudent approach. Together with the fact that the latest published balance sheet of the Group comprises mostly cash, we concur with Odysseus’s approach in assessing the value of the Company on the asset based approach.

According to the Odysseus Report, the equity value of the Company as of 31 December 2024 is illustrated as follows:

	As of	
	31 December	
	2024	
	<i>HK\$'000</i>	
Net assets attributable to equity holders of the Company	244,507	<i>A</i>
Net cash position of the Company	205,171	<i>B</i>
Net assets of the healthcare business	39,336	<i>C=A-B</i>
Adopted price-to-book ratio for the healthcare business	<u>1.16</u>	<i>D</i>
Valuation of the healthcare business	45,630	<i>E=C*D</i>
Sum-of-the-parts valuation for 100% equity value of the Company	250,801	<i>F=B+E</i>



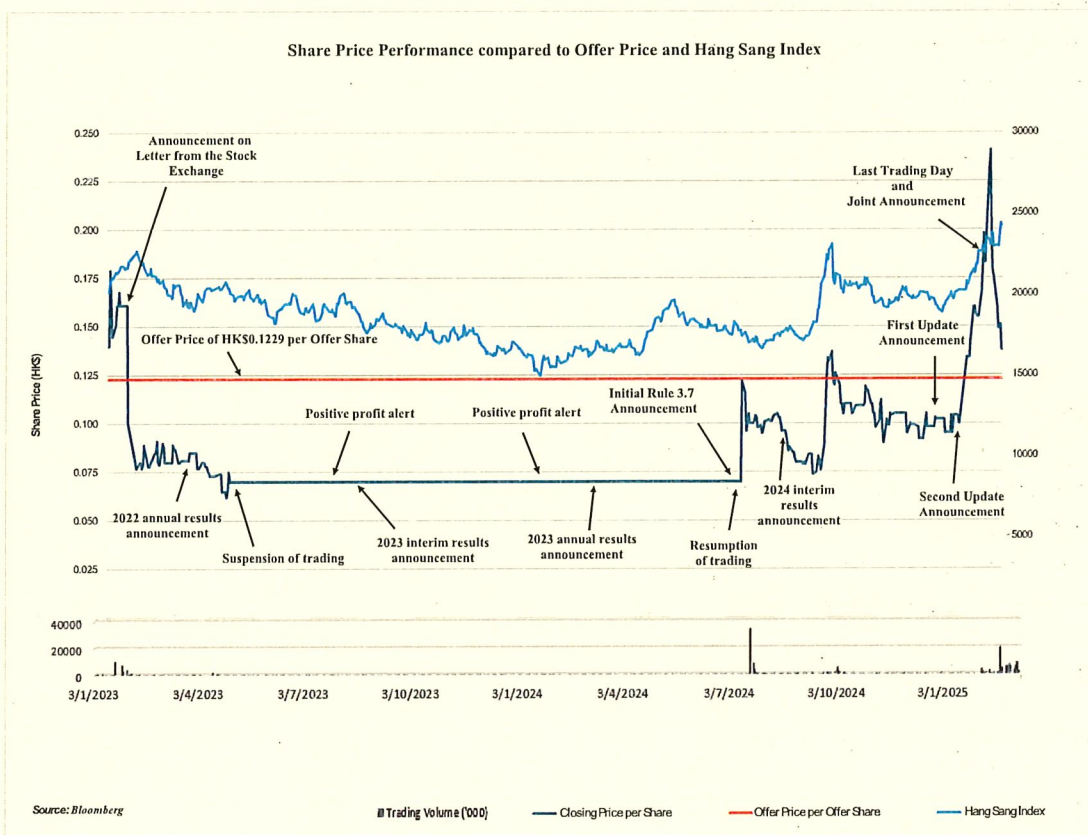
Odysseus has identified eight comparable companies which are considered appropriate for comparison based on the following criteria: (a) listed on recognised stock exchanges in Hong Kong and the PRC with a market capitalisation of not more than HK\$1 billion as at 31 December 2024; (b) having active trading profile and positive net assets attributable to equity holders as of 31 December 2024; and (c) engaging in the healthcare business in Hong Kong and the PRC. By taking out one of the comparable companies which was listed only few days before the valuation date on 31 December 2024, the average price-to-book ratio of the other seven comparable companies of 1.16 times was adopted by Odysseus in the valuation of the equity value of the Company. Further details of the comparable companies are stated in the Odysseus Report set out in Appendix VI to the Composite Document.

Based on (i) the appraised fair value of the entire equity interest of the Company as of 31 December 2024 of HK\$250,801,000; and (ii) a total of 2,033,290,000 issued Shares as at the Latest Practicable Date, the appraised fair value is approximately HK\$0.1233 per Share. The Offer Price of HK\$0.1229 per Offer Share represents a slight discount of approximately 0.36% to the appraised fair value of the equity interest of the Company as of 31 December 2024, which we do not consider to be material.

4. Analysis of price performance and trading liquidity of the Shares

(i) *Historical price performance of the Shares*

The chart below illustrates the daily closing price per Share from 1 January 2023 up to and including the Latest Practicable Date (the “**Review Period**”), alongside a comparison of the Share price performance against the Offer Price and Hang Seng Index. According to the Company’s announcement dated 19 January 2023, the Company received a letter from the Stock Exchange (the “**Letter from the Stock Exchange**”) on the same day, notifying that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Rule 13.24 of the Listing Rules. Consequently, trading in the Shares on the Stock Exchange has been suspended on 25 April 2023 (the “**Suspension**”) and resumed on 19 July 2024 (the “**Resumption**”). The Review Period, which encompasses the receipt of the Letter from the Stock Exchange, the Suspension and the subsequent Resumption, is considered relevant for providing a general overview of the recent market performance of the Shares for the purpose of this analysis.



Following the publication of the announcement on the Letter from the Stock Exchange on 20 January 2023 (before trading hours), the closing Share price dropped by approximately 37.9% from HK\$0.161 on 19 January 2023 to HK\$0.1 on 20 January 2023. The downward trend continued on the next two trading days, and the Share price closed at HK\$0.077 on 27 January 2023. Since then and until the commencement of the Suspension on 25 April 2023, the closing Share price fluctuated in a range of HK\$0.062 to HK\$0.091. Closing Share price closed at HK\$0.07 on 24 April 2024 before the Suspension. During the Suspension period, the Company published the initial Rule 3.7 Announcement on 15 July 2024 in relation to the intention of the controlling Shareholder (i.e. the Vendor) to dispose its Shares constituting approximately 28% to 40% of the Company's total issued Shares. Following the Resumption on 19 July 2024, the closing Share price surged to HK\$0.122, reflecting an increase of approximately 74.3% compared to the closing Share price of HK\$0.07 on 24 April 2024.

Since then, the closing Share prices showed a general downward trend and reached a post-Resumption low of HK\$0.074 on 20 September 2024. Subsequently, and until the publication of the first update announcement (the "**First Update Announcement**") on 29 December 2024, the closing Share prices fluctuation was largely in line with the Hang Seng Index. The First Update Announcement stated, among others, that the Sale Shares were to be listed for a bidding process on an equity exchange in the PRC. Following the publication of the First Update Announcement, price of the Shares closed at HK\$0.105 on the next trading day on 30 December 2024, represented an increase of approximately 14.1% from the closing price on the previous trading day.



From 31 December 2024 to 28 January 2025, the closing Share prices fluctuated within a narrow range of HK\$0.095 to HK\$0.104. On 28 January 2025, the Company published the second update announcement on the Transfer (the “**Second Update Announcement**”), stating that discussions between the controlling Shareholder and Beijing Tong Ren Tang (Cayman) Limited (i.e. the Offeror) on the proposed transfer of Shares were ongoing. Following the Second Update Announcement, the closing Share price increased by approximately 30.0% from HK\$0.1 on 28 January 2025 (the trading day prior to the Second Update Announcement) to HK\$0.13 on 3 February 2025 (the trading day following the Second Update Announcement). Since then, the closing Share price led a remarkable upward trend, reaching HK\$0.185 on 18 February 2025. After trading hours on 18 February 2025, the Company published the Joint Announcement and the closing Share price further increase to HK\$0.198 on 19 February 2025. The closing Share price as at the Latest Practicable Date was HK\$0.138.

The Offer Price of HK\$0.1229 per Offer Share represents:

- (i) a premium of approximately 75.57% to the closing price of HK\$0.07 per Share as quoted on the Stock Exchange on 24 April 2023, being the last trading day before the date of the initial Rule 3.7 Announcement dated 15 July 2024;
- (ii) a premium of approximately 33.59% to the closing price of HK\$0.092 per Share as quoted on the Stock Exchange on 27 December 2024, being the last trading day before the date of the First Update Announcement dated 29 December 2024;
- (iii) a premium of approximately 22.90% to the closing price of HK\$0.1 per Share as quoted on the Stock Exchange on 28 January 2025, being the last trading day before the date of the Second Update Announcement dated 28 January 2025;
- (iv) a discount of approximately 33.57% to the closing price of HK\$0.185 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 24.97% to the average of the closing price as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1638 per Share;
- (vi) a discount of approximately 20.71% to the average of the closing price as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Trading Day of approximately HK\$0.155 per Share;
- (vii) a premium of approximately 1.82% to the average of the closing price as quoted on the Stock Exchange for the thirty trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1207 per Share;



- (viii) a discount of approximately 10.94% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ix) a premium of approximately 4.18% over the Group's audited consolidated net assets attributed to the Shareholders per Share of approximately HK\$0.1180 as at 31 December 2023 (calculated based on (i) a total of 2,033,290,000 Shares as at the Latest Practicable Date; and (ii) the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$239.865 million as at 31 December 2023);
- (x) a premium of approximately 1.74% over the Group's unaudited consolidated net assets attributed to the Shareholders per Share of approximately HK\$0.1208 as at 30 June 2024 (calculated based on (i) a total of 2,033,290,000 Shares as at the Latest Practicable Date; and (ii) the Group's unaudited consolidated net assets attributable to the Shareholders of HK\$245.606 million as at 30 June 2024);
- (xi) a premium of approximately 2.16% over the Group's unaudited net assets attributable to equity holders of the Company of approximately HK\$0.1203 per Share as at 31 December 2024, extracted from the 2024 Management Accounts; and
- (xii) a discount of approximately 0.36% to the appraised fair value of 100% equity interest of the Company based on the Odysseus Report of approximately HK\$0.1233 per Share as at 31 December 2024.

As shown above, although the Offer Price represents a discount to closing Share price on the Last Trading Day and the average closing Share price for the last five and ten trading days prior to and including the Last Trading Day, it should be noted that the price of the Shares increased substantially following the publication of the initial Rule 3.7 Announcement, the First Update Announcement and the Second Update Announcement, the price of the Shares after which may be affected by the news on the potential Offer. In particular, the Offer Price represents (a) a premium of approximately 75.57% over the closing price of HK\$0.07 per Share on 24 April 2023, being the last trading day before the date of the initial Rule 3.7 Announcement dated 15 July 2024; (b) a premium of approximately 33.59% over the closing price of HK\$0.092 per Share on 27 December 2024, being the last trading day before the date of the First Update Announcement dated 29 December 2024; (c) a premium of approximately 22.90% over the closing price of HK\$0.1 per Share on 28 January 2025, being the last trading day before the date of the Second Update Announcement dated 28 January 2025; and (d) a premium of approximately 1.82% over the average of the closing price for the thirty trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1207 per Share.



During the Review Period, there were 43 trading days out of a total of 533 trading days where the Share prices exceeded the Offer Price of HK\$0.1229 per Offer Share, among which (a) 13 trading days were in January 2023 before publication of the announcement on the Letter from the Stock Exchange dated 19 January 2023; (b) 5 trading days were in October 2024; and (c) 25 trading days were in the period following publication of the First Update Announcement and the Second Update Announcement and up to the Latest Practicable Date. As of the Latest Practicable Date, the Share price closed at HK\$0.138, which is higher than the Offer Price of HK\$0.1229 per Offer Share.

Shareholders should note that the Share price movement following the publication of the initial Rule 3.7 Announcement, the First Update Announcement and the Second Update Announcement are likely to be driven by the Offer, and as such, the sustainability of the current Share price after the closing of the Offer could be uncertain. For our discussion on whether to accept the Offer or sell in the open market, please refer to the section headed “Opinion and recommendations” of this letter.

(ii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued Shares and the public float of the Company during the Review Period:

	Number of trading days	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2 & 3)
2023				
January	18	24,335,000	1.20%	4.57%
February	20	2,960,000	0.15%	0.56%
March	23	705,000	0.03%	0.13%
April	13	2,305,000	0.11%	0.43%

Trading in the Shares on the Stock Exchange has been suspended on 25 April 2023 and resumed on 19 July 2024.

2024				
July	9	47,635,002	2.34%	8.94%
August	22	3,375,000	0.17%	0.63%
September	19	8,075,000	0.40%	1.52%
October	21	10,605,000	0.52%	1.99%
November	21	2,360,000	0.12%	0.44%
December	20	1,795,000	0.09%	0.34%



	Number of trading days	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 2 & 3)
2025				
January	19	550,000	0.03%	0.10%
February	20	70,190,000	3.45%	13.17%
From 1 March 2025 to the Latest Practicable Date	5	30,235,000	1.49%	5.67%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued Shares or the total number of Shares in public float at the end of each month (or at the Latest Practicable Date for March 2025).
3. The total number of Shares in public float is calculated based on the number of total issued Shares excluding Shares held by the Vendor, KVB Holdings Limited and the Offeror at the end of each month (or at the Latest Practicable Date for March 2025).

From the table above, which outlines the monthly total trading volume as a percentage of the number of total issued Shares and as a percentage of the public float respectively, we note that save for January 2023, July 2024 and the period after publication of the Second Update Announcement on 28 January 2025 and up to the Latest Practicable Date, the trading volume of the Shares has been generally thin. The monthly total trading volume of Shares during the Review Period, excluding the periods mentioned above and when the trading of Shares was suspended, represents only approximately 0.03% to 0.52% of the total issued Shares; and approximately 0.10% to 1.99% of the public float.

The publication of the announcement regarding the Letter from the Stock Exchange on 20 January 2023 temporarily heightened the trading volume of Shares in January 2023, representing around 1.20% and 4.57% of the total issued Shares and the public float, respectively. Following the Resumption on 19 July 2024, the trading volume of Shares increased significantly and the total trading volume in July 2024 represented around 2.34% and 8.94% of the total issued Shares and the public float. After the publication of the Second Update Announcement on 28 January 2025, the trading volume of Shares started to increase, in particular after the publication of Joint Announcement after trading hours on 18 February 2025. The monthly total trading volume of Shares in February 2025 represents approximately 3.45% of the total issued Shares and approximately 13.17% of the public float. Total trading volume from 1 March 2025 to the Latest Practicable Date represents approximately 1.49% of the total issued Shares and approximately 5.67% of the public float.



Given the thin trading volume of Shares, there may be insufficient liquidity in Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares. The Offer represents a guaranteed cash exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price if they so wish.

5. Comparable companies

As mentioned in the section headed “Information and prospects of the Group” of this letter, the Group is principally engaged in the healthcare business providing healthcare products such as vitamins and supplements. At the Offer Price of HK\$0.1229 per Share, the implied market capitalisation of the Company amounts to approximately HK\$249.9 million. For the purpose of evaluating the Offer, we have conducted a search on Bloomberg for companies similar to the Group, which (i) are listed on the Main Board of the Stock Exchange for at least one year, with market capitalisation of not more than HK\$300 million as at the date immediately before the Latest Practicable Date; and (ii) based on their latest published annual reports available as at the date immediately prior to the Latest Practicable Date, are principally engaging in the provision of healthcare products in the PRC and Hong Kong (the “Comparable Companies”). The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on the above criteria.

We have set out the price-to-earnings multiples (the “P/E Multiple(s)”) and the price-to-book multiples (the “P/B Multiple(s)”) of the Comparable Companies in the table below, which are two of the commonly used multiples for valuing businesses.

Comparable Companies	Stock code	Principal business	Market capitalisation (HK\$'million) (Note 1)	Historical P/E Multiple (Approximate times) (Note 1)	Historical P/B Multiple (Approximate times) (Note 1)
AUSupreme International Holdings Limited (“AUSupreme”)	2031	Retailer and wholesaler of health supplement and personal care products sourced mainly from Australia.	194.3	6.76	1.09
Besunyen Holdings Company Limited	926	PRC healthcare product producer and developer. Products include, among others, therapeutic tea and weight-loss medicines.	250.6	N/A	0.42
Hin Sang Group (International) Holdings Company Limited	6893	Mainly engaged in marketing, selling and manufacturing of children’s healthcare products and Chinese medicines.	231.5	N/A	1.16



Comparable Companies	Stock code	Principal business	Market capitalisation (HK\$'million) (Note 1)	Historical P/E Multiple (Approximate times) (Note 1)	Historical P/B Multiple (Approximate times) (Note 1)
PuraPharm Corporation Limited	1498	Mainly engaged in research and development, production, marketing and sale of Chinese concentrated medicine granules and other traditional Chinese medicine products.	221.7	N/A	1.70
	Highest				1.70
	Lowest				0.42
	Average				1.09
	Median				1.13
The Company (at Offer Price)			249.9	19.48 (Note 2)	1.02 (Note 3)

Source: The Stock Exchange and Bloomberg

Notes:

1. Data of the Comparable Companies are sourced from Bloomberg as at the date immediately prior to the Latest Practicable Date.
2. The implied P/E Multiple of the Company is calculated based on (a) the implied market value of the Company of approximately HK\$249.9 million at the Offer Price; and (b) the profit from continuing operations of the Company for the year ended 31 December 2023 of approximately HK\$12.8 million as extracted from the Company's 2023 annual report.
3. The implied P/B Multiple of the Company is calculated based on (a) the implied market value of the Company of approximately HK\$249.9 million at the Offer Price; and (b) the unaudited net asset value of the Company as at 31 December 2024 of approximately HK\$244.5 million extracted from the 2024 Management Accounts.
4. We note that apart from the above four Comparable Companies, Odysseus used the P/B Multiples of three other companies in arriving at its valuation, namely Zhongzheng International Company Limited (943.HK, "Zhongzheng"), Kunming Longjin Pharmaceutical Co., Ltd. (002750.SZ, "Kunming Longjin") and Dali Pharmaceutical Co., Ltd. (603963.SH, "Dali Pharmaceutical"). The difference in the choice of comparable companies was due to (i) our view that Zhongzheng's healthcare and household business relating to hair and oral care products, despite generally being in the healthcare industry, is not directly comparable to the Group's healthcare business relating to Chinese medicine or daily health supplement; and (ii) our criteria of limiting the Comparable Companies to those listed on the Main Board of the Stock Exchange, which excludes Kunming Longjin and Dali Pharmaceutical.



Taking into account (a) the Group's healthcare business has a relatively short period of operation since May 2022 and experienced significant volatility, making it imprudent to rely on its latest reported earnings; and (b) net cash of the Company accounted for approximately 83.9% of the unaudited net asset value as at 31 December 2024 as extracted from the 2024 Management Accounts, which is unique comparing to the financial position of the Comparable Companies where cash and bank balances represented only approximately 2.6% to 48.1% of their respective net asset value according to their latest annual/interim report, we consider the P/B Multiples and the net asset value of the Company are principally relevant and appropriate for assessing the fairness and reasonableness of the Offer Price in the current life cycle of the Company's healthcare business. For reference only, the implied P/E Multiple of the Company at the Offer Price of approximately 19.48 times is higher than the only available historical P/E Multiple of AUSupreme of approximately 6.76 times.

As illustrated in the table above, the P/B Multiples of the Comparable Companies ranged from approximately 0.42 times to 1.70 times. The implied P/B Multiple of the Company at the Offer Price of approximately 1.02 times is within the range, but lower than the average and median, of the historical P/B Multiples of the Comparable Companies. As explained above, most of the Group's total assets represent cash and bank balances, while the Comparable Companies have different level of cash and bank balances relative to their net assets. As cash should not normally be subject to discount or premium, it may potentially explain the fact that the P/B Multiple of the Company as implied by the Offer is close to 1 (i.e. the Offer Price is close to the net asset value of the Company), while the Comparable Companies has a range of different P/B Multiples. The Offer Price represents a small premium of approximately 1.74% and 2.16% over the Group's unaudited consolidated net asset value per Share of approximately HK\$0.1208 as at 30 June 2024 and approximately HK\$0.1203 as at 31 December 2024. Based on the above analysis, we consider the Offer Price to be fair and reasonable to the Independent Shareholders.

DISCUSSION

We consider the terms of the Offer, including the Offer Price, to be fair and reasonable so far as the Independent Shareholders are concerned after taking into account all of the above principal factors and reasons, in particular:

1. The Group's healthcare business has a limited trading record and the income generated from selling healthcare products has been subject to significant volatility since the commencement of this business in May 2022. The future prospects of the Group are subject to various uncertainties and are highly dependent on its ability to adapt promptly to change in economic conditions, dynamics in the healthcare industry and evolving consumer preferences.



2. The Offer Price is equivalent to the Sale Price together with the Interest accruing on the Deferred Payment pursuant to the Transfer, which was facilitated by a bidding process through listing on an equity exchange in the PRC. Although the Offer Price represents a discount to closing Share price on the Last Trading Day (i.e. 18 February 2025) and to the shorter-term average prices prior to the Last Trading Day, it represents significant premiums over the closing prices of the Shares prior to the First Update Announcement and the Second Update Announcement, which we consider to be less disturbed by the potential Offer.
3. We have reviewed and discussed the Odysseus Report with Odysseus, and concur with its approach in assessing the value of the Company on the asset based approach, which resulted in the appraised fair value of the equity interest of the Company at approximately HK\$0.1233 per Share, which is close to the Offer Price of HK\$0.1229 per Offer Share.
4. Given the short history of the Group's healthcare business and the Group's strong balance sheet, we consider the P/B Multiples and the net asset value of the Company are principally relevant and appropriate for assessing the fairness and reasonableness of the Offer Price. Taking into account that the implied P/B Multiple of the Company at the Offer Price is within the range of the P/B Multiples of the Comparable Companies and also that the Offer Price represents a small premium over the Group's unaudited consolidated net asset value per Share as at 30 June 2024 and 31 December 2024 (a substantial part of which represented net cash), we consider the Offer Price to be fair and reasonable to the Independent Shareholders.
5. The historical trading volume of Shares has been generally thin during the Review Period so that Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares. The Offer represents a guaranteed cash exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price if they so wish.



OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors as set out in this letter and summarised in the section headed "Discussion" above, we consider the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to accept the Offer.

However, following the publication of the Second Update Announcement, Share price strengthened and the Shares have consistently traded above the Offer Price. The Share price closed at HK\$0.138 as at the Latest Practicable Date, which is higher than the Offer Price of HK\$0.1229 per Offer Share. Accordingly, Independent Shareholders who are considering realising their investments in the Company in whole or in part by accepting the Offer should carefully monitor the Share price, and if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, such Independent Shareholders should sell their Shares in the open market instead of realising their investment by accepting the Offer. Independent Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares in the market without exerting downward pressure on the Shares prices.

Those Independent Shareholders who, after considering the information on the Offeror and their intentions regarding the Group, are attracted by the future prospects of the Group following the Offer, may consider retaining their Shares or tendering less than all their Shares under the Offer. The procedures for acceptance of the Offer are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance. Independent Shareholders are urged to read the timetable set out in the Composite Document and any revised timetable (if any) to be announced by the Offeror and the Company carefully and act accordingly if they wish to accept the Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over fifteen years of experience in the corporate finance industry.