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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01011)

**(1) VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE PROPOSED DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF NT PHARMA
INTERNATIONAL;
(2) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF
40% EQUITY INTERESTS IN KANGCHEN;
AND
(3) RESUMPTION OF TRADING**

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 21 April 2020 (after trading hours), Beijing Konruns, Kangchen, the Company, NT Pharma International, NT Pharma HK, NT Pharma Overseas, NT Pharma Pacific, Diyi Medicine and Mr. Ng, have entered into the Transaction Documents pursuant to which, (i) the Company shall transfer the Pfenex Rights to NT Pharma International on the date thereof; (ii) NT Pharma Overseas shall dispose of the entire issued share capital of NT Pharma International to Kangchen upon the Disposal Completion; and (iii) NT Pharma Pacific shall subscribe for 40% equity interests in Kangchen upon the Acquisition Completion.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.24 of the Listing Rules, the Stock Exchange will apply the percentage ratios to each of the Proposed Disposal and the Proposed Acquisition. As one or more of the applicable percentage ratios (as defined under the Listing Rules) regarding the Proposed Disposal exceed 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval at the EGM. As one or more of the applicable percentage ratios (as defined under the Listing Rules) regarding the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval at the EGM.

As part of the net proceeds from the Proposed Transactions is to be utilised to partially redeem the CPS of which Ms. Shum is interested in (via Annie Investment), Ms. Shum and her associates (including her spouse Mr. Jeong) will abstain from the voting at the EGM for the resolutions approving the Proposed Transactions (given the Proposed Transactions may confer upon them a benefit not available to other shareholders of the Company).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save as disclosed above, no other Shareholders or any of their respective associates have any material interest in the Transaction Documents. Therefore, save as disclosed above, no Shareholders or any of their respective associates is required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Transaction Documents and the transactions contemplated thereunder including the Proposed Transactions.

GENERAL INFORMATION

The EGM will be convened at which the Shareholders will consider and, if thought fit, approve the Transaction Documents and the transactions contemplated thereunder including the Proposed Transactions.

The Company will despatch the Circular in accordance with the Listing Rules, which will contain, among other things, (i) further details on the Transaction Documents and the transactions contemplated thereunder; (ii) the valuation report of NT Pharma International; (iii) the valuation report of Kangchen; and (iv) a notice convening the EGM as well as other information required to be disclosed under the Listing Rules. It is expected to be despatched to the Shareholders on or before 20 May 2020.

As the Completion is subject to the fulfillment of the conditions precedent set forth in the Transaction Documents which include, but without limitation to, the approval of the Shareholders at the EGM by way of ordinary resolutions, the Proposed Transactions may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 22 April 2020. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 April 2020.

The Board is pleased to announce that on 21 April 2020 (after trading hours), Beijing Konruns, Kangchen, the Company, NT Pharma International, NT Pharma HK, NT Pharma Overseas, NT Pharma Pacific, Diyi Medicine and Mr. Ng have entered into the Transaction Documents, pursuant to which, among others, (i) the Company shall transfer the Pfenex Rights to NT Pharma International on the date thereof; (ii) NT Pharma Overseas shall dispose of the entire issued share capital of NT Pharma International to Kangchen upon the Disposal Completion; and (iii) NT Pharma Pacific shall subscribe for 40% equity interests in Kangchen upon the Acquisition Completion.

THE TRANSACTION DOCUMENTS

The principal terms of the Transaction Documents are set forth below:

- Date** : 21 April 2020
- Parties** : (a) Beijing Konruns;
(b) Kangchen;
(c) the Company;
(d) NT Pharma International;
(e) NT Pharma HK;
(f) NT Pharma Overseas;
(g) NT Pharma Pacific;
(h) Diyi Medicine; and
(i) Mr. Ng

(together the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, both Beijing Konruns and Kangchen and their respective ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of by NT Pharma Overseas:

NT Pharma Overseas has conditionally agreed to sell and Kangchen has conditionally agreed to purchase, the entire issued share capital of NT Pharma International (together with the Pfenex Rights) at Disposal Completion. Pursuant to the Transaction Documents, the Group is to re-organise its business of sale of Miacalcic products under NT Pharma International for purpose of the Proposed Disposal.

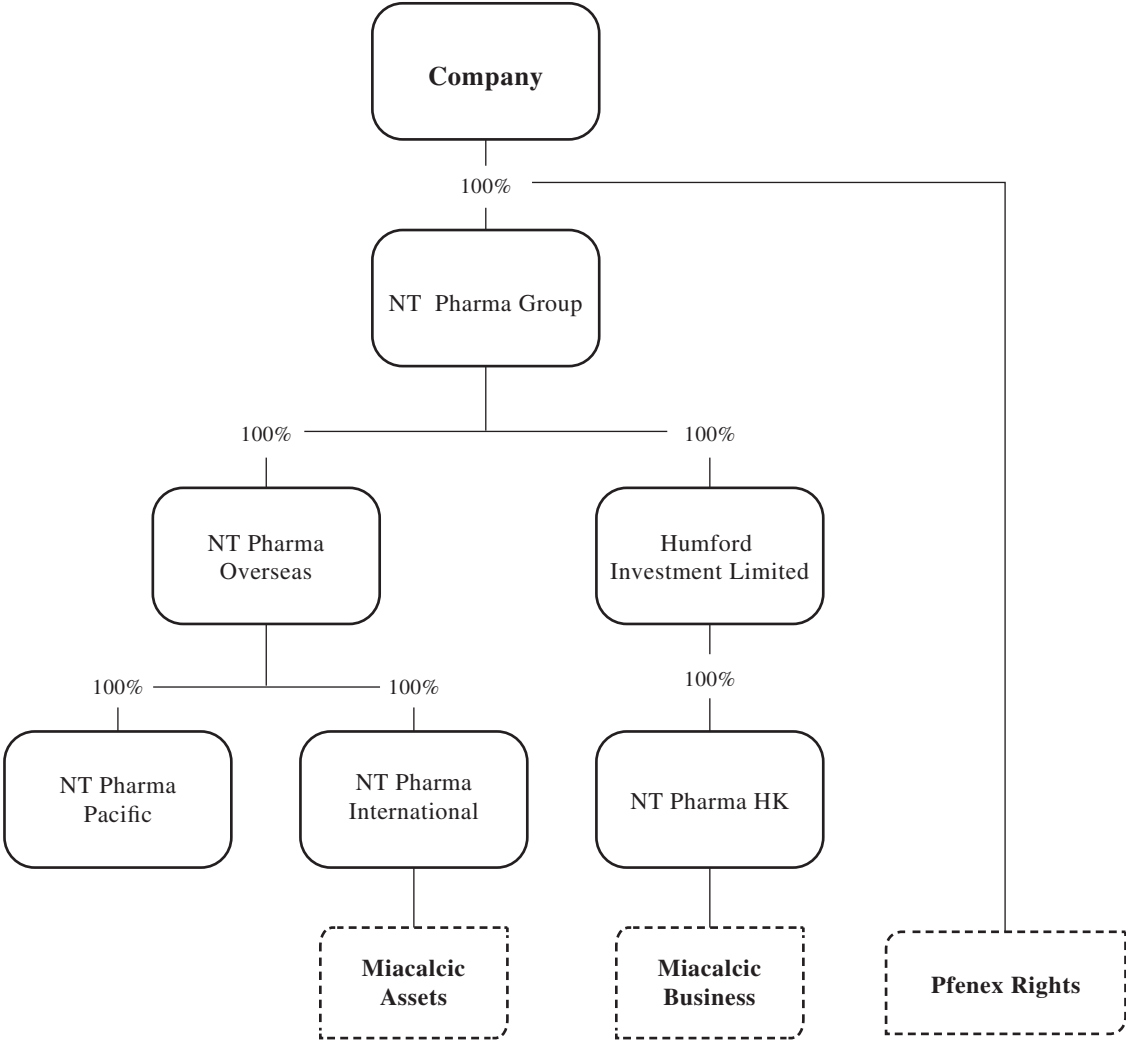
Assets to be acquired by NT Pharma Pacific:

NT Pharma Pacific has conditionally agreed to acquire and Kangchen has conditionally agreed to issue 40% of the equity interests of Kangchen to NT Pharma Pacific upon Acquisition Completion.

THE PROPOSED TRANSACTIONS

The Proposed Transactions comprise of the Proposed Disposal (together with the Pfenex Transfer) and the Proposed Acquisition. Under the Proposed Disposal, the Group is to conduct the Re-organisation before the Disposal Completion.

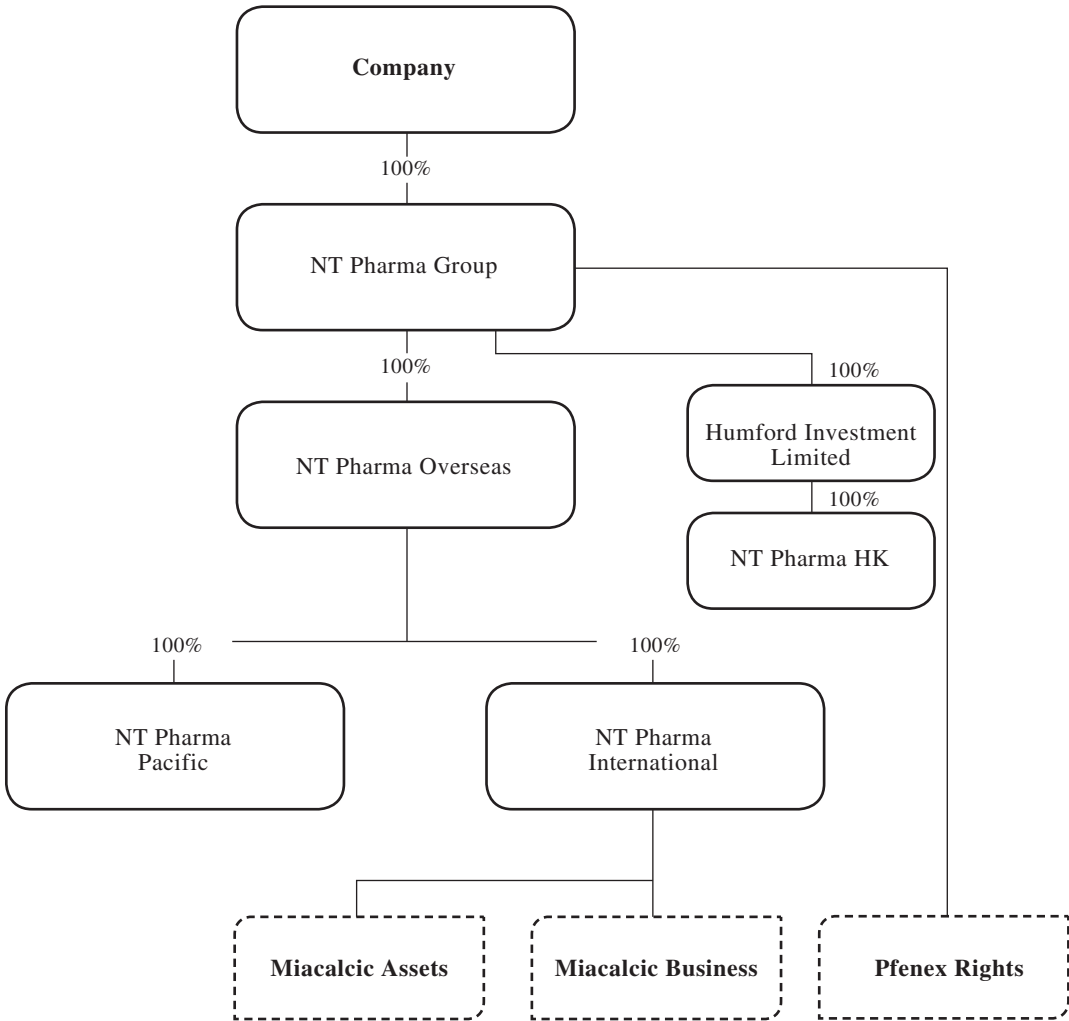
Set out below is a chart showing the shareholding relationship between NT Pharma International, the Miacalcic Assets, the Miacalcic Business and the Pfenex Rights as at the date of this announcement:



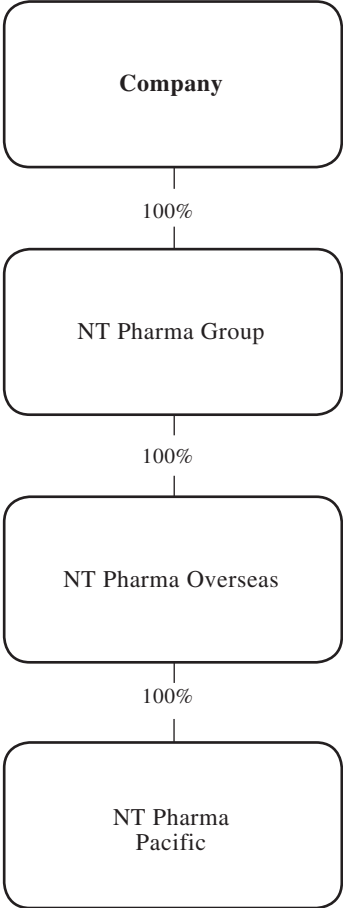
The Re-organisation involves the following steps:

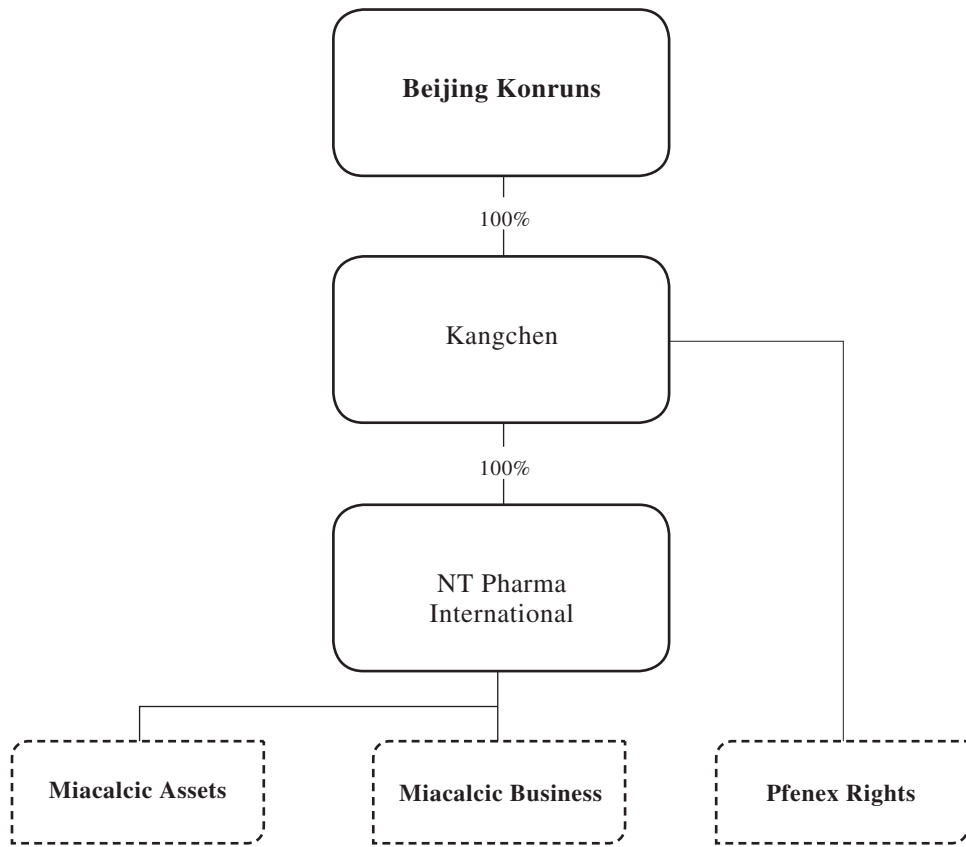
- (a) NT Pharma HK and its affiliated parties transferring their rights and obligations under supply chain agreements, sale agreements and business agreements relating to Miacalcic Business to NT Pharma International;
- (b) NT Pharma International and Future Health and Five Office having duly executing an agreement to confirm the legality of their business cooperation matters and that there is no dispute between the parties thereto;
- (c) NT Pharma HK transferring the employment of its employees outside the PRC relating to Miacalcic Business to NT Pharma International; and
- (d) the Seller Parties and NT Pharma International providing the Purchaser Parties with a list of its non-operating debts of NT Pharma International incurred from the Base Date to one month before the date of First Payment and settling of such non-operating debts (if any).

Set out below is a chart showing the shareholding relationship between NT Pharma International, the Miacalcic Assets, the Miacalcic Business and the Pfenex Rights immediately after the completion of the Re-organisation:

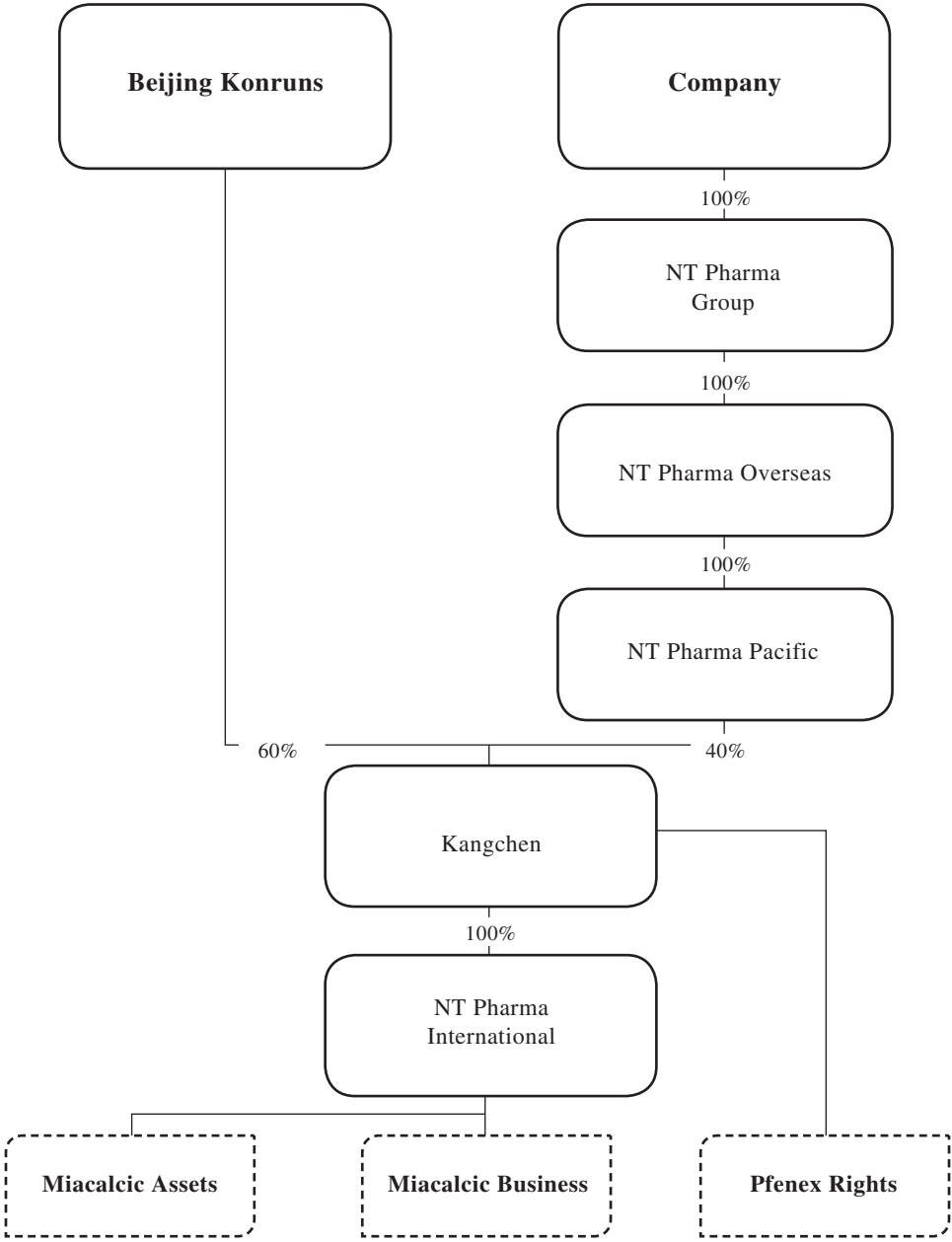


Set out below is a chart showing the shareholding structure of the Company and the Purchaser Parties immediately after the Disposal Completion:





Set out below is a chart showing the shareholding structure of the Company and the Purchaser Parties immediately after the Acquisition Completion:



CONSIDERATION

Disposal Consideration

The consideration for the Proposed Disposal (excluding the Pfenex Transfer) is RMB900.0 million (the “**Disposal Consideration**”), which was determined between the Parties after arm’s length negotiations and on normal commercial terms, taking into account historical financial performance, market reputation and brand recognition of NT Pharma International, and a preliminary valuation as at 31 March 2020 prepared by the Independent Valuer (the “**Preliminary Valuation**”). The Parties agreed that the Disposal Consideration is subject to adjustment with reference to the Kangchen Valuation Report (which is to be prepared by the Independent Valuer appointed by Kangchen). In the event that the Kangchen Valuation Report deviates more than 10% from the Preliminary Valuation, the Parties shall negotiate a new consideration. If the Parties fail to agree on the new consideration and enter into a supplemental agreement within 30 days upon issuance of the final valuation, any of the Parties shall be entitled to terminate the Transaction Documents. It is currently expected that any discussion regarding the adjustment to the Disposal Consideration and the Acquisition Consideration will take place before the EGM. Further announcement(s) will be made by the Company to inform the Shareholders and potential investors if there is any adjustment to the Disposal Consideration and the Acquisition Consideration as and when appropriate.

Payment Terms

The Disposal Consideration is payable in tranches in the following manner:

- (a) The first payment, being an amount of RMB200 million (the “**First Payment**”), is payable by Kangchen to the Company within 10 Business Days upon the satisfaction of the First Payment Conditions (as defined in below), which shall be deposited into the Jointly Managed Account A;
- (b) The second payment, being an amount of RMB340.0 million (the “**Second Payment**”) is payable by Kangchen to the Company within 5 Business Days upon the satisfaction of all the Second Payment Conditions (as defined in below) and the Disposal Completion having taken place, which shall deposit into the account held by NT Pharma Overseas; and
- (c) the third payment, being an amount of RMB360.0 million (the “**Third Payment**”) is payable by Kangchen to the Company within 10 Business Days upon the satisfaction of all the Third Payment Conditions (as defined in below), which shall be deposited into the Jointly Managed Account A.

CONDITIONS

First Payment Conditions

The conditions for the First Payment (the “**First Payment Conditions**”) (unless waived in writing by the Purchaser Parties) are:

- (a) the Purchaser Parties having obtained all necessary approvals and authorisations for the Proposed Transactions (except mergers and acquisitions of domestic enterprises by foreign investors registration with Department of Foreign Investment Administration of MOFCOM and SAFE registration (if necessary));
- (b) the Seller Parties, NT Pharma HK and the Performance Guarantors having obtained all necessary approvals and authorisations for the Proposed Transactions and execution of the Transaction Documents;
- (c) the Transaction Documents (including the Pfenex Transfer Agreement) and all transfer documents relating to the Proposed Disposal (including the Pfenex Transfer) having been duly executed by the relevant Parties;
- (d) the Seller Parties having obtained a written confirmation of the Lender consenting (i) not to enforce the Share Charge within three months from the date of the Transaction Documents; (ii) the Proposed Disposal; and (iii) the release of the Share Charge upon full settlement of the Loan;
- (e) completion of the Re-organisation;
- (f) Kangchen and NT Pharma Overseas having established the Jointly Managed Account A;
- (g) the due diligence on NT Pharma International having been duly completed by the Purchaser Parties;
- (h) there being no change or effect which has a material and adverse effect on the financial position, business or prospects or results of operations, of NT Pharma International and the Proposed Transactions as a whole; and
- (i) none of the Company, NT Pharma International, NT Pharma HK and NT Pharma Overseas having violated any of the provisions of the Transaction Documents.

Second Payment Conditions

The conditions for the Second Payment (the “**Second Payment Conditions**”) (unless waived in writing by the Purchaser Parties) are:

- (a) the Share Charge having been discharged and released;
- (b) the Disposal Completion having duly taken place;
- (c) NT Pharma International having duly obtained the Miacalcic Sale Licenses; and
- (d) the chops or seals and books and accounts of NT Pharma International having been passed to the Purchaser Parties.

Within 5 Business Days upon the Disposal Completion, Kangchen shall make the Second Payment to the Company.

Third Payment Conditions

The conditions for the Third Payment (the “**Third Payment Conditions**”) (unless waived in writing by the Purchaser Parties) are:

- (a) NT Pharma HK having transferred the employment of its employees relating to Miacalcic Business (the list of which is jointly determined by the Seller Parties and the Purchaser Parties) to NT Pharma International; and the Seller Parties, NT Pharma HK and their affiliated parties having settled severance payment and compensation (if any) before 31 May 2020;
- (b) the capital increase subscription agreement for the Proposed Acquisition, the Share Pledge and all necessary documents for conversion of Kangchen into a joint venture company (including new articles of association and shareholders agreement) having been duly executed by NT Pharma Pacific and Beijing Konruns;
- (c) NT Pharma Pacific having provided the Purchaser Parties all necessary documents for the change in industrial and commercial registration of Kangchen and the registration of the Share Pledge;
- (d) NT Pharma Pacific and the Purchaser Parties having established the Jointly Managed Account B;
- (e) the mergers and acquisitions of domestic enterprises by foreign investors registration with Department of Foreign Investment Administration of MOFCOM and SAFE registration (if necessary) having been duly completed; and
- (f) none of the Company, NT Pharma HK, NT Pharma Overseas and their affiliated parties having violated any of the provisions of the Transaction Documents.

The consideration for the Pfenex Transfer was determined as not more than US\$3 million (equivalent to approximately RMB21.2 million) (the “**Pfenex Consideration**”) which comprises of an amount of US\$2.5 (equivalent to approximately RMB17.6 million) million as down payment made by the Company in respect of the Pfenex Agreement and the related expenses of approximately US\$0.5 million (equivalent to RMB3.5 million). As Kangchen requires time to conduct due diligence in relation to the down payment amount and the related expenses spent by the Company, the Pfenex Consideration is payable by Kangchen within 30 Business Days upon satisfaction of such due diligence exercise by Kangchen.

Acquisition Consideration

The consideration for the Proposed Acquisition is RMB360.0 million (the “**Acquisition Consideration**”).

The Seller Parties and the Purchaser Parties shall (i) deposit the Acquisition Consideration into the Jointly Managed Account B on the following Business Day upon the receipt of the Third Payment; and (ii) transfer the Acquisition Consideration from the Jointly Managed Account B to the account designated by the Purchaser Parties (the “**Designated Account**”) before the following Business Day upon the deposit of Acquisition Consideration into the Designated Account. Acquisition Completion shall take place on the following Business Day thereafter (the “**Acquisition Completion Date**”).

COMPLETION

Disposal Completion

The Disposal Completion shall take place on the Disposal Completion Date.

Upon Disposal Completion, NT Pharma International shall no longer be a subsidiary of the Company.

Acquisition Completion

The Acquisition Completion shall take place on the Acquisition Completion Date.

Upon Acquisition Completion, the Company shall indirectly be interested in 40% equity interests of Kangchen, which in turn is interested in the entire interests of NT Pharma International.

The Proposed Disposal, the Pfenex Transfer and the Proposed Acquisition are inter-conditional to each other. As disclosed under the section headed “Conditions – First Payment Conditions”, the Pfenex Transfer Agreement is a condition for the First Payment of the Proposed Disposal; and the Third Payment of the Proposed Disposal is required to be contributed to the Acquisition Consideration of the Proposed Acquisition and is to be deposited to the Jointly Managed Account A. Should the Company fail to contribute the Acquisition Consideration as per the terms of the Proposed Acquisition, Kangchen will do so on behalf of the Company and transfer the Acquisition Consideration from the Jointly Managed Account A for purpose of the Proposed Acquisition.

BASIS OF CONSIDERATION

The Disposal Consideration (excluding the Pfenex Consideration) was determined after arm's length negotiations between the Parties on normal commercial terms principally with reference to, among others, the net asset value of NT Pharma International as at 31 December 2019, being approximately RMB799.1 million and the Preliminary Valuation of NT Pharma International as at 31 March 2020, being approximately RMB900.0 million.

The Pfenex Consideration was determined after arm's length negotiation between the Parties on normal commercial terms with reference to the deposit payment of US\$2.5 million (equivalent to approximately RMB17.6 million) plus the related expenses of approximately US\$0.5 million (equivalent to approximately RMB3.5 million) having been made by the Company.

The Acquisition Consideration was determined after arm's length negotiations between the Parties on normal commercial terms principally with reference to (i) effective interests of the Company in NT Pharma International upon the Acquisition Completion; (ii) the Preliminary Valuation of NT Pharma International as at 31 March 2020, being approximately RMB900.0 million; and (iii) the net asset value of Kangchen as at 31 December 2019, being approximately RMB17.7 million.

Pursuant to the Transaction Documents, if the Disposal Consideration is to be adjusted upon the issue of the Kangchen Valuation Report (which is to be prepared by valuer appointed by Purchaser Parties), then the Acquisition Consideration will also be adjusted accordingly as the Third Payment of the Disposal Consideration, which is to be applied as the Acquisition Consideration will also be adjusted.

A valuation of Kangchen (made as of Disposal Completion, i.e. with NT Pharma International being a subsidiary of Kangchen) prepared by the Independent Valuer (appointed by the Company) will be made available in the Circular to be despatched by the Company.

The Directors consider that the consideration involved in the Proposed Transactions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

THE PROFIT GUARANTEE

Pursuant to the Transaction Documents, the Performance Guarantors undertook that the EBITDA ^(Note) of Miacalcic related business recognised in Kangchen's consolidated financial statements (the "**EBITDA of Miacalcic Business**") for the financial years of 2021, 2022 and 2023 (the "**Performance Guarantee Period**") shall be no less than RMB80.0 million, RMB100.0 million and RMB120.0 million (each referred to as the "**Guaranteed EBITDA**"), respectively, representing a total of no less than RMB300.0 million (the "**Total Guaranteed Operating EBITDA**") upon the Completion.

Note:

EBITDA is defined as earnings before interest expense, taxation, depreciation and amortization, and excludes a number of extraordinary items, including but not limited to the fair value change on financial liabilities at fair value through profit or loss, impairment loss on trade and other receivables, property, plant and equipment and intangible assets.

Kangchen shall complete the audit of the EBITDA of Miacalcic Business within 4 months from the end of each financial year. Where Kangchen's EBITDA of Miacalcic Business for the financial year are less than the Guaranteed EBITDA for that year, the Performance Guarantors shall compensate the Purchaser Parties the Compensation Amount which shall be calculated in the following manner:

$$\text{Compensation Amount} = \left(\frac{A - B}{C} \times D \right) - E$$

“A” being the accumulated Guaranteed EBITDA of Miacalcic Business the relevant financial year;

“B” being the accumulated actual EBITDA of Miacalcic Business of the relevant financial year;

“C” being the Total Guarantee EBITDA, i.e. RMB300.0 million;

“D” being the Disposal Consideration, i.e. RMB900.0 million; and

“E” being any Compensation Amount paid in previous years.

In the event that Miacalcic business generates net loss for each of the Performance Guarantee Period, the highest possible Compensation Amount that is required to be paid by the Company to the Purchaser Parties would be RMB900.0 million (i.e. the value of Equity Compensation of RMB360.0 million plus the Cash Compensation of RMB540.0 million), being the Disposal Consideration of NT Pharma International.

The Performance Guarantors shall pay the Compensation Amount to the Purchaser Parties by way of the Equity Compensation (as defined in below) first; if the Compensation Amount exceeds the Equity Compensation Amount, the Performance Guarantors shall pay the shortfall by way of Cash Compensation (as defined in below).

(i) Equity Compensation

The Equity Compensation Amount shall be subject to a upper limit of RMB360.0 million (further details of calculation will be disclosed in the Circular of the Company).

NT Pharma Pacific shall, within 15 Business Days from the date when the Compensation Amount has been determined, transfer the Equity Compensation Amount to Beijing Konruns at nil consideration or at the lowest price permitted by the relevant laws. NT Pharma Pacific shall be responsible for any and all taxes or other costs arising from the Equity Compensation, and shall fully indemnify Beijing Konruns for those paid by Beijing Konruns in advance.

(ii) Cash Compensation

Where the Compensation Amount exceeds the Equity Compensation Amount, NT Pharma Pacific shall make up for the shortfall in the Compensation Amount to Beijing Konruns in cash (subject to an upper limit of RMB540.0 million), the amount of which is calculated as follows:

Cash Compensation Amount = Compensation Amount – Equity Compensation Amount

The Company will pledge the Kangchen Shares in favour of Beijing Konruns upon the Acquisition Completion to secure the abovementioned performance guarantee and compensation obligations of the Performance Guarantors.

Set out below are the reconciliation between the reportable results and adjusted EBITDA relating to Miacalcic segment:

	Year ended 31 December 2018	Year ended 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Reportable segment loss	(199,329)	(260,064)
Fair value loss on financial liabilities at fair value through profit or loss (i.e. CPS)	304,907	31,733
Impairment loss of an intangible asset (i.e. Miacalcic)	–	287,107
Impairment loss of trade receivables	–	1,265
	<u> </u>	<u> </u>
Adjusted EBITDA	<u>105,578</u>	<u>60,041</u>

According to the segment results of the Miacalcic Business, the decrease in EBITDA in the financial year ended 31 December 2019 was mainly attributable to the negative impact brought to the imported product business caused by a change of business partners which the management of the Group believes would only affect the financial year ended 31 December 2019. The management of the Group also expects that such negative impact will be neutralized upon Completion of the Proposed Transaction as the Miacalcic Business will leverage on the extensive business network and reputation of Beijing Konruns in the pharmaceutical industry in the PRC market, in particular, it is expected that, Beijing Konruns will devote more resources in terms of financial support and/or human resources by recruiting additional sales personnel to promote the Miacalcic brand so as to further expand its distribution sales network of Miacalcic branded products in the PRC. Furthermore, upon completion of the Proposed Transactions, as one of the beneficial owners and business partners of Kangchen, the Group will continue to focus on the selling and marketing of Miacalcic branded products in overseas markets. Accordingly, it is expected that the financial performance of Miacalcic Business will be improved going forward, and hence the EBITDA of Miacalcic Business for the financial years of 2021, 2022 and 2023 will be able to meet the Total Guaranteed EBITDA.

In light of the foregoing, the Directors are of the view that the Guaranteed EBITDA is fair and reasonable and the profit guarantee pursuant to the Transaction Documents is in the interest of the Shareholders and the Company as a whole.

KEY UNDERTAKINGS

Pursuant to the Sale and Purchase Agreement, the Seller Parties and NT Pharma HK (unless stated otherwise) undertake and guarantee to/that:

- (a) procure Kangchen or any third parties recognized by Kangchen to enter into cooperation agreements with distributors in the PRC;
- (b) apply to China Trademark Office to transfer trademarks relating to Miacalcic Business to Kangchen at the Seller Parties' or NT Pharma HK's expense upon 10 Business Days from the payment of the First Payment;
- (c) transfer its drug or pharmaceutical product registration certificates relating to Miacalcic business to NT Pharma International at the Seller Parties' or NT Pharma HK's expense before 31 December 2020;
- (d) complete the transfer of Miacalcic assets in Core Sales Areas to NT Pharma International at the Seller Parties' or NT Pharma HK's expense and assist NT Pharma International with the re-registration in accordance with the timetable thereto;
- (e) NT Pharma International shall obtain the Miacalcic Sale Licenses stated in condition (c) of the Second Payment Conditions as set out in the section headed "Conditions – Second Payment Conditions" by 31 July 2020;
- (f) NT Pharma HK shall complete the Re-organisation by 31 July 2020;
- (g) the Seller Parties undertake and guarantee that NT Pharma International shall enter into long term supply agreement with Solupharm Pharmazeutische Erzeugnisse GmbH by 31 July 2020; and
- (h) the Seller Parties, as the direct or indirect shareholders of Kangchen, undertake and guarantee that without prior written consent of the Purchaser Parties, the Seller Parties and their actual controllers shall not directly or indirectly, alone or in cooperation with others, invest into or engage in business in competition with the business of NT Pharma International.

INFORMATION OF BEIJING KONRUNS AND KANGCHEN

Beijing Konruns is a joint stock company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603590). Beijing Konruns is principally engaged in manufacture, research and development, sale and distribution of pharmaceutical products.

Kangchen is a limited liability company established under the laws of the PRC and wholly-owned by Beijing Konruns. Kangchen is principally engaged in research and development, sale and distribution of pharmaceutical products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beijing Konruns, Kangchen and their respective ultimate beneficial owner(s) are Independent Third Parties.

Set out below are the unaudited financial information of Kangchen prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2018 and 2019 are:

	Year ended 31 December 2018 <i>RMB'000</i> (unaudited)	Year ended 31 December 2019 <i>RMB'000</i> (unaudited)
Revenue	7,070	22,605
Net loss before tax	1,062	1,241
Net loss after tax	1,100	1,223

The unaudited net asset value of Kangchen as at 31 December 2019 amounted to approximately RMB17.7 million, details of which are set out below:

	As at 31 December 2019 RMB'000
Non-current assets	49
Current assets	24,775
Current liabilities	(7,129)
Non-current liabilities	(21)
Net assets	<u><u>17,674</u></u>

INFORMATION OF NT PHARMA INTERNATIONAL

NT Pharma International is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. NT Pharma International is principally engaged in holding the intellectual property rights, marketing and distribution rights associated with trademarks and brand names relating to commercialization of Miacalcic Injection and Miacalcic Nasal Spray branded drugs for sub-licensing and exploitation.

Miacalcic (generic name: salmon calcitonin), a well-known international orthopedic brand, is mainly used for treatment of bone pain led by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome. The Group completed the major transaction on acquisition of Miacalcic injection in respect of China and other regions from Novartis at a total purchase price of US\$145 million in July 2016. The Group completed a major transaction of acquiring Miacalcic nasal spray at a consideration of US\$34 million in October 2017. The sales of Miacalcic in the markets of China and other countries and regions is stable and the sale network covers the whole world.

Set out below are the audited financial information of NT Pharma International prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2018 and 2019 are as follows:

	Year ended 31 December 2018	Year ended 31 December 2019
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	–	–
Net loss before tax	3,364	292,242
Net loss after tax	3,364	292,242

The audited net asset value of the NT Pharma International as at 31 December 2019 amounted to approximately RMB799.1 million (equivalent to approximately HK\$892.1 million), details of which are set out below:

	As at 31 December 2019
	<i>HK\$'000</i>
Non-current assets	1,097,901
Current assets	12,569
Current liabilities	(218,411)
Non-current liabilities	0
Net assets	892,059

Set out below are the audited segment results of Miacalcic Business for the two financial years ended 31 December 2018 and 2019:

	Year ended 31 December 2018	Year ended 31 December 2019
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	263,855	212,501
Adjusted EBITDA	105,578	60,041

Immediately prior to the Disposal Completion, NT Pharma International is held as to 100% by the Group. After the Disposal Completion, the entire issued share capital of NT Pharma International will be held by Kangchen and NT Pharma International shall no longer be a subsidiary of the Company.

INFORMATION OF THE GROUP

The Company is a technology-based pharmaceutical company integrated with research and development, manufacturing and sales of its own products, with its products covering therapeutic areas including central nervous system, orthopaedics, oncology and hematology.

The Group intends to continue to operate all its existing business after the Completion and has no intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about any disposal, scaling-down and/or termination of its existing business.

FINANCIAL IMPACT, REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Company expects that the Group will realise an estimated gain of approximately RMB34.1 million on the Proposed Disposal (on a standalone basis). The estimated gain on the Proposed Disposal is calculated by comparing the estimated net proceeds (after deduction of professional fees and other relevant expenses but does not take into account of the Acquisition Consideration payable by the Group) of the Proposed Disposal of approximately RMB850.0 million against (i) combined net asset value of NT Pharma International (together with the Miacalcic business segment) in aggregate of approximately RMB815.9 million as at 31 March 2020 assuming the Proposed Disposal took place on 31 March 2020.

In addition, the Company expects that there will be no estimated gain or loss arising from the Pfenex Transfer (on a standalone basis), having considered that the carrying value of the Pfenex Rights of US\$2.5 million (equivalent to approximately RMB17.6 million) as at 31 December 2019, being the deposit payment paid by the Group to Pfenex upon signing the Pfenex Agreement for the acquisition of Pfenex Rights in 2018 (which is now recorded under the “prepayment for acquisition of intangible asset” in the non-current assets in the financial statements of the Group as at 31 December 2019, is equal to the Pfenex Consideration (excluding the related expenses) of US\$2.5 million (equivalent to approximately RMB17.6 million).

In light of the above, it is expected that the Group will realise an aggregate estimated gain of approximately RMB34.1 million on the Proposed Disposal and the Pfenex Transfer.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be finalised in the consolidated financial statements of the Company, depends on, among other things, the combined net asset value of NT Pharma International (together with the Miacalcic business segment on the date of Disposal Completion and the review by the auditors of the Company upon finalization of the consolidated financial statements of the Group

As disclosed in the audited annual results announcement of the Company for the year ended 31 December 2019 dated 15 April 2020, the Group’s cash and cash equivalents amounted to approximately RMB28.2 million as at 31 December 2019 while the current portion of the Group’s bank and other borrowings amounted to approximately RMB957.7 million which will be due for repayment within one year. Having considered that (i) the Disposal Consideration and the Pfenex Consideration represent a premium of approximately 14.8% over the net asset value of NT Pharma International of approximately RMB799.1 million as at 31 December 2019; and (ii) the Proposed Disposal would provide the Group with an immediate cash inflow and enable the Group to crystallise part of its investment gains in the Miacalcic Business, the Directors are of the view that the Proposed Disposal is a good opportunity for the Company to realise a gain on disposal and enable the Group to reallocate the financial resources on any suitable investment opportunities which would enhance Shareholders’ value and repayment of bank and other borrowings of approximately RMB957.7 million when it falls due on or before 31 December 2020.

Miacalcic contributed income of approximately RMB212.5 million to the Company for the year ended 31 December 2019 as compared with approximately RMB263.9 million for the corresponding period in 2018. The decrease in revenue was due to a change in business partner. As a result of change in business partner, Miacalcic segment will require further capital resources to development market with the new business partner which the Group is currently lacking. The Group is of the view that by entering into the Proposed Transaction, the Group will be able to leverage on the extensive business network and reputation of Beijing Konruns in the pharmaceutical industry in the PRC market, in particular, it is expected that, Beijing Konruns will devote more resources in terms of financial support and/or human resources by recruiting additional sales personnel to promote the Miacalcic brand so as to further expand its distribution sales network of Miacalcic branded products in the PRC. Furthermore, upon completion of the Proposed Transactions, as one of the beneficial owners and business partners of Kangchen, the Group will continue to focus on the selling and marketing of Miacalcic branded products in overseas markets.

In 2018, the Group entered into the Pfenex Agreement to develop new products which the Company will have the exclusive right to commercialize a therapeutic equivalent/biosimilar teriparatide injection to the reference drug product Forteo® in Mainland China, Hong Kong, Singapore, Malaysia and Thailand. In addition, it is estimated that a further RMB150 million is required on clinical trial for CFDA approval and an additional RMB50 million on marketing and business development to develop Pfenex market. If the Group was to continue to develop Pfenex on its own, it will be a huge financial burden on the Group in the near future. By entering into the Proposed Transaction (in particular the Pfenex Transfer), the Group will have a strong business partner with sufficient financial resources to develop Pfenex together.

Upon Completion of the Proposed Transaction, the Group will focus its resources on Shusi. Shusi (generic name: quetiapine fumarate) is a proprietary product of Suzhou First. In December 2013, it was also approved by the CFDA for the treatment of bipolar affective disorder. Shusi is an atypical antipsychotic drug which has proven safety track records and therapeutic effects on first-time psychiatric patients, elderly patients and adolescent patients. As a drug listed on both the National Reimbursement Drug List and the National Essential Drugs List, Shusi is a state-approved prescription medicine, and it is expected the product will have tremendous growth potential and continue to play an important role in the future growth strategy of the Group.

The revenue recorded for the financial years ended 31 December 2018 and 2019 for the Shusi segment is approximately RMB162 million and RMB106 million, respectively.

Furthermore, the Group considered that the Proposed Acquisition is able to allow the Group to leverage on the extensive business network and reputation of Beijing Konruns to expand the distribution network of the products of NT Pharma International. Beijing Konruns was found in 2003 and headquartered in Beijing. The share of Beijing Konruns is listed in Shanghai Stock Exchange with over RMB6,000 million market value. The Directors believed that the Proposed Transaction, will introduce a strong business partner who has substantial resources and experience in researches and develops, manufactures and sells pharmaceutical products in the PRC with its distribution network covering 31 provinces through its alliance marketing model.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction Documents, which are determined after arm's length negotiations between the Parties, are on normal commercial terms which are fair and reasonable, and the entering into of the Transaction Documents is in the interests of the Group and the Shareholders as a whole.

THE INTENDED USE OF PROCEEDS

The gross proceeds and net proceeds (after deduction of the Acquisition Consideration, professional fees and other related expenses including but not limited to stamp duty for the Proposed Disposal) of the Proposed Transaction will be approximately RMB557.0 million and RMB552.0 million, respectively. The Company intends to apply the net proceeds of approximately RMB552.0 million from the Proposed Transaction in the following manner:

- (a) an amount of RMB197.0 million for repayment of the Loan to the Lender; and
- (b) an amount of RMB355.0 million for partial redemption of the CPS (holders of which includes Annie Investment) which is due on 30 June 2020.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.24 of the Listing Rules, the Stock Exchange will apply the percentage ratios to each of the Proposed Disposal and the Proposed Acquisition.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) regarding the Proposed Disposal exceed 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval at the EGM. As one or more of the applicable percentage ratios (as defined under the Listing Rules) regarding the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval at the EGM.

As part of the net proceeds from the Proposed Transaction is to be utilised to redeem the CPS of which Ms. Shum is interested in (via Annie Investment), Ms. Shum and her associates (including her spouse Mr. Jeong) will abstain from the voting at the EGM for the resolutions approving the Proposed Transactions (given the Proposed Transactions may confer upon them a benefit not available to other shareholders of the Company).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save as disclosed above, no other Shareholders or any of their respective associates have any material interest in the Transaction Documents. Therefore, no Shareholders or any of their respective associates is required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Transaction Documents and the transactions contemplated thereunder including the Proposed Transactions.

GENERAL INFORMATION

The EGM will be convened at which the Shareholders will consider and, if thought fit, approve the Transaction Documents and the transactions contemplated thereunder including the Proposed Transactions.

The Company will despatch the Circular in accordance with the Listing Rules, which will contain, among other things, (i) further details on the Transaction Documents and the transactions contemplated thereunder; (ii) the valuation report of NT Pharma International; (iii) the valuation report of Kangchen; and (iv) a notice convening the EGM as well as other information required to be disclosed under the Listing Rules. It is expected to be despatched to the Shareholders on or before 20 May 2020.

As the Completion is subject to the fulfillment, or waiver, of the conditions precedent set forth in the Transaction Documents which include, but without limitation to, the approval of the Shareholders at the EGM by way of ordinary resolutions, the Proposed Transactions may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 22 April 2020. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 April 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition Completion”	completion of the Proposed Acquisition pursuant to the terms and conditions of the Transaction Documents and as defined under section headed “Acquisition Consideration”
“Acquisition Completion Date”	the date on which Acquisition Completion shall take place
“Annie Investment”	Annie Investment Co., Ltd. is the beneficial owner as to 1,700,000 Shares and 218,579,000 CPS of the Company which are convertible into 218,579,000 Shares and is wholly-owned by Ms. Shum
“Base Date”	31 December 2019
“Beijing Konruns”	Beijing Konruns Pharmaceutical Co., Ltd. (北京康辰藥業股份有限公司), a joint stock company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603590)
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong and the PRC
“Cash Compensation Amount”	has the meaning as defined in section headed “The Profit Guarantee – Cash Compensation”
“Circular”	the circular in respect of the Transaction Documents and the transactions contemplated thereunder to be dispatch to the Shareholders

“Company”	China NT Pharma Group Company Limited(中國泰凌醫藥集團有限公司)(Stock Code: 1011), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Compensation Amount”	has the meaning as defined under section headed “Profit Guarantee”
“Completion”	the Acquisition Completion and the Disposal Completion
“Core Sales Areas”	core sales area of Miacalcic products, i.e. the PRC, Hong Kong, Switzerland, Singapore, Malaysia, Thailand, Australia, New Zealand, Vietnam, Taiwan, Indonesia and Egypt
“CPS”	convertible preference shares of the Company which can be converted into ordinary shares of the Company
“Director(s)”	the director(s) of the Company
“Disposal Completion”	completion of the transfer of the NT Pharma International Shares to Kangchen pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Completion Date”	the date on which Disposal Completion shall take place, being the next Business Days upon the Share Charge having been discharged and released;
“Diyi Medicine”	Suzhou Diyi Medicine Company Limited* (蘇州第壹製藥有限公司), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Transaction Documents and the transactions contemplated thereunder
“Equity Compensation”	payment of the Compensation Amount by way of transferring equity interests in Kangchen held by the Company

“Equity Compensation Amount”	has the meaning as defined under section headed “The Profit Guarantee – Equity Compensation Amount”
“First Payment”	has the meaning as defined under section headed “Consideration – Payment Terms”
“First Payment Conditions”	the conditions set out under section headed “Conditions - First Payment Conditions”
“Five Office”	Five Office Ltd, a company incorporated in Switzerland with Future Health as its affiliated company
“Future Health”	Future Health Pharma GmbH, a company incorporated in Switzerland with Five Office as its affiliated company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Jointly Managed Account A”	a bank account established in the name of NT Pharma Overseas for the purpose of the First Payment and the Third Payment, which is jointly managed by NT Pharma Pacific and Kangchen
“Jointly Managed Account B”	a bank account established in the name of NT Pharma Pacific for the purpose of payment of Acquisition Consideration, which is jointly managed by NT Pharma Pacific and the Purchaser Parties
“Kangchen”	Beijing Kangchen Biological Technology Co., Ltd. (北京康辰生物科技有限公司), a limited liability company established under the laws of the PRC and wholly-owned by Beijing Konruns, being the purchaser of the NT Pharma International Shares under the Proposed Disposal pursuant to the Sale and Purchase Agreement

“Kangchen Shares”	equity interests representing 40% interest in Kangchen upon the Acquisition Completion
“Kangchen Valuation Report”	a valuation report on the valuation of the NT Pharma International Shares, Miacalcic Business and the Miacalcic Assets, as at the Base Date, by a valuer appointed by the Purchaser Parties
“Lender”	China Minsheng Banking Corp, Shanghai Fta Test Area Branch* (中國民生銀行股份有限公司上海自貿試驗區分行) and has no interest in the Company and the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loan”	a term loan in the principal amount of US\$40 million (equivalent to approximately RMB284.8 million) granted by the Lender to NT Pharma International pursuant to the terms of the Loan Agreement
“Loan Agreement”	a loan agreement dated 25 October 2018 entered into between the Lender and NT Pharma International as the borrower
“Miacalcic Assets”	means all the rights and benefits of the contracts relating to the Miacalcic Business (including employment contracts of employees relating to the Miacalcic Business), all books and records relating to the Miacalcic Business
“Miacalcic Business”	the business carried on by and on behalf of the Company as at the date hereof in relation to Miacalcic
“Miacalcic Sale Licenses”	the licenses and qualifications for sale of Miacalcic products in Hong Kong, including but not limited to the wholesale dealer licence under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)
“MOFCOM”	the Ministry of Commerce of the PRC
“Mr. Jeong”	Mr. Jeong Chong Mang, a substantial shareholder of the Company and spouse of Ms. Shum

“Mr. Ng”	Ng Tit, a director and shareholder of the Company
“Ms. Shum”	Ms. Shum Ning, a holder of the CPS (via Annie Investment) and spouse of Mr. Jeong
“NT Pharma HK”	NT Pharma (HK) Co., Ltd (泰凌醫藥香港有限公司), a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company
“NT Pharma International”	NT Pharma International Co., Ltd (泰凌醫藥國際有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by NT Pharma Overseas
“NT Pharma International Shares”	one issued share of NT Pharma International, being the entire allotted and issued share capital of NT Pharma International
“NT Pharma Overseas”	NT Pharma (Overseas) Holding Co., Ltd (泰凌醫藥(海外)控股有限公司), a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company
“NT Pharma Pacific”	NT Pharma Pacific Company Limited (泰凌醫藥(亞洲)有限公司), a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company
“Performance Guarantors”	the Company, NT Pharma Pacific, Diyi Medicine and Mr. Ng
“Pfenex”	Pfenex Inc., a biotechnology company registered in Delaware, the US
“Pfenex Agreement”	the agreement(s) dated 18 April 2018 entered into between the Company and Pfenex, pursuant to which the Company was granted an exclusive distribution right to distribute PF708 in the PRC, Hong Kong, Thailand, Singapore and Malaysia and any ancillary documents as amended and supplemented from time to time

“Pfenex Consideration”	US\$2,500,00.00 (equivalent to approximately RMB17.87 million)
“Pfenex Rights”	the rights and benefits of the Company under the Pfenex Agreement prior to the completion of the Pfenex Transfer
“Pfenex Transfer”	the transfer, assignment and novation by the Company of all its rights and benefits under the Pfenex Agreement to NT Pharma International upon signing of the Pfenex Transfer Agreement
“Pfenex Transfer Agreement”	the assignment and transfer documentations all dated 21 April 2020 entered into between Pfenex, the Company and Kangchen in relation to the Pfenex Transfer
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Taiwan, Macau Special Administrative Region and Hong Kong
“Proposed Acquisition”	the proposed subscription by NT Pharma Pacific of 40% equity interests in Kangchen
“Proposed Disposal”	the proposed disposal of the NT Pharma International Shares by NT Pharma Overseas to Kangchen pursuant to the terms and conditions of the Sale and Purchase Agreement
“Proposed Transactions”	the Proposed Disposal (together with the Pfenex Transfer) and the Proposed Acquisition
“Purchaser Parties”	Beijing Konruns and Kangchen
“Re-organisation”	means the re-organisation of the Miacalcic Assets and the Miacalcic Business so that the Miacalcic Assets and the Miacalcic Business will be the assets and business of NT Pharma International upon completion of the re-organisation, respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC

“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 April 2020 entered into between Kangchen, the Company, NT Pharma International, and NT Pharma Overseas in relation to the Proposed Transactions
“Second Payment”	has the meaning as defined in section headed “Consideration – Payment Terms”
“Second Payment Conditions”	the conditions set out in section headed “Conditions - Second Payment Conditions”
“Seller Parties”	the Company and NT Pharma Overseas
“Share(s)”	ordinary share(s) of US\$0.00000008 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Charge”	the share charge dated 9 November 2018 and executed by NT Pharma Overseas in favour of the Lender over the NT Pharma International Shares to secure the liability and obligations of NT Pharma International under the Loan Agreement
“Share Pledge”	the share pledge to be executed by NT Pharma Pacific in favour of Beijing Konruns over the Kangchen Shares upon the Acquisition Completion to secure the performance guarantee and compensation obligations of the Performance Guarantors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Payment”	has the meaning as defined under section headed “Consideration - Payment Terms”
“Third Payment Conditions”	the conditions set out under section headed “Conditions - Third Payment Conditions”
“Transaction Documents”	(a) the Pfenex Transfer Agreement; (b) Sale and Purchase Agreement; and

- (c) the asset purchase agreement dated 21 April 2020 entered into between Beijing Konruns, Kangchen, the Company, NT Pharma International, NT Pharma HK and NT Pharma Overseas in relation to the Proposed Transactions

“US” the United States of America

“US\$” United States dollar(s), the lawful currency of the US

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1 = US\$0.14 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

By Order of the Board
China NT Pharma Group Company Limited
Ng Tit
Chairman

Hong Kong, 27 April 2020

As at the date of this announcement, the executive Directors are Mr. Ng Tit, Ms. Chin Yu and Mr. Wu Weizhong; the non-executive Director is Dr. Qian Wei; and the independent non-executive Directors are Mr. Tze Shan Hailson Yu, Mr. Pan Fei and Dr. Zhao Yubiao.

* *For identification purposes only*