# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in doubt** as to any aspect of this circular or as to the action taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China NT Pharma Group Company Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer, or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1011)**

# (1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE LICENSING OF COMMERCIALISATION RIGHTS; (2) PROPOSED ISSUANCE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE PURSUANT TO CONSULTANCY AGREEMENTS; AND (3) NOTICE OF EGM

A notice convening an EGM of the Company to be held at No. 1 HuaLing Road, SuZhou Industrial Park, SuZhou, the PRC on Tuesday, 13 September 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (http://www.ntpharma.com).

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and sign the accompanying form of proxy, in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.

**PRECAUTIONARY MEASURES FOR THE EPIDEMIC AT THE EGM**

**The following precautionary measures will be implemented by the Company at the EGM to prevent the spreading of the COVID-19:**

**(1) Compulsory body temperature checks**

**(2) Submission of health declaration form**

**(3) Wearing of surgical face mask**

**(4) No refreshments will be provided and no corporate gifts will be distributed**

**Attendees who do not comply with the precautionary measures (1) to (3) above may be denied entry to the EGM, at the absolute discretion of the Company, as permitted by law.**

**The Company encourages Shareholders to consider appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.**

23 August 2022

# CONTENTS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

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| "Announcement" | the announcement of the Company dated 21 June 2022 in relation to, among other matters, the Proposed Transactions; |
| "associate(s)" | has the meaning ascribed to it in the Listing Rules; |
| "Board" | the board of Directors; |
| "Business Day(s)" | a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours; |
| "Commercialisation Rights" | the exclusive and perpetual rights to commercialise the Technology in the Territories; |
| "Company" | China NT Pharma Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1011); |
| "connected person(s)" | has the meaning as ascribed to it in the Listing Rules; |
| "Consideration Share(s)" | 473,186,591 new Shares to be allotted and issued to the Consultants at the Issue Price as consideration for the Consultancy Services pursuant to the terms and conditions of the Consultancy Agreements; |
| "Consultancy Agreements" | the consultancy agreements to be entered into among the Company, the Licensee and the Consultants, pursuant to which each of the Consultants is to provide the Consultancy Services to the Company and the termination of which shall not be earlier than (i) three years from the date of the Licensing Completion; or (ii) the start of mass production of the first indication of the Product (whichever is later); |
| "Consultancy Services" | the provision of consultancy services on research and development of the Technology and Product registration with the relevant regulatory authorities in the PRC to the Company; |
| "Consultants" | Mr. Wang and Dr. Gao; |

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| "Director(s)" | director(s) of the Company; |
| "Disposal Agreement" | the disposal agreement to be entered into between Suzhou First and the Potential Purchaser in relation to the Potential Disposal; |
| "Dr. Gao" | Mr. Gao Gui, a member of the Technical Team and an Independent Third Party; |
| "EGM" | the extraordinary general meeting of the Company to be held at No. 1 HuaLing Road, SuZhou Industrial Park, SuZhou, the PRC on Tuesday, 13 September 2022 at 10:00 a.m. for approving, among other things, the Transaction Documents (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares); |
| "First Lock-Up Period" | the 12 months' period commencing from the date of issue of the First Lock-Up Shares; |
| "First Lock-Up Shares" | 315,457,728 Consideration Shares that are to be issued and allotted to the Consultants; |
| "Framework Agreement" | the framework agreement dated 29 April 2022 entered into among the Company, the Municipal Government and an Independent Third Party, namely, Yunsilu Investment Holding (Hainan) Group Company Limited* (雲絲路投資控股(海南)集團有限公司) in relation to cooperation among the parties on innovative drugs, various medical devices and reagents in the High-tech Zone; |
| "Group" | the Company and its subsidiaries; |
| "High-tech Zone" | Chibi High-tech Industrial Zone* (赤壁高新技術產業園區) of Hubei Province, the PRC; |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong; |
| "Hong Kong" | Hong Kong Special Administrative Region of the People's Republic of China; |
| "Independent Third Party/(ies)" | third parties independent of the Company and its connected persons; |

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| "Issuance Conditions Precedent" | the conditions precedents of the issuance of Consideration Shares as set out in the sub-section headed "Letter from the Board – (F) Consultancy Agreements – Conditions precedent to the issuance of the Consideration Shares" in this circular; |
| "Issue Price" | the issue price of HK$0.20 per Consideration Share; |
| "JV Co" | a joint venture company, an integrated biotechnology and pharmaceutical company specialised in research and development, production, sales and services to be established by the Company and the Municipal Government in the High-tech Zone, which is expected to be a subsidiary of the Company; |
| "Latest Practicable Date" | 17 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein; |
| "License" | the exclusive and perpetual license of the Commercialisation Rights irrevocably granted to the Licensee under the Licensing Agreement on the License Effective Date; |
| "License Effective Date" | the date that the grant of the License is to take effect; |
| "License Fees" | the license fees as set out under sub-section headed "Letter from the Board – (B) The Licensing of the Commercialisation Rights – License Fees and royalties" in this circular; |
| "Licensee" | Green-Life Technology (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company; |
| "Licensing Agreement" | the licensing agreement to be entered into between the Licensee and the Licensor, pursuant to which the Licensor is to grant the License to the Licensee on the License Effective Date; |
| "Licensing Completion" | the completion of the Licensing Agreement, being the date that the grant of the License taking effect; |

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| "Licensing Conditions Precedent" | the conditions precedents of the Licensing Agreement as set out in the sub-section headed "Letter from the Board – (B) The Licensing of the Commercialisation Rights – Conditions precedent of the Licensing & Collaboration Agreement" in this circular; |
| "Licensing Long Stop Date" | has the meaning ascribed to it under sub-section headed "Letter from the Board – (B) The Licensing of the Commercialisation Rights – Conditions precedent of the Licensing & Collaboration Agreement" in this circular; |
| "Licensing & Collaboration Agreement" | the licensing and collaboration agreement dated 21 June 2022 entered into between the Licensee and the Licensor in relation to commercialisation of the Technology; |
| "Licensor" | Abcentra LLC, a clinical-stage company incorporated in Delaware, US with limited liability and an Independent Third Party; |
| "Listing Committee" | the Listing Committee of the Stock Exchange; |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time; |
| "Mr. Wang" | Mr. Wang Minzhi, a member of the Technical Team and an Independent Third Party; |
| "Municipal Government" | the Municipal Government of Chibi City* (赤壁市人民政府) of Hubei Province, the PRC; |
| "Potential Disposal" | the potential disposal of certain tangible and intangible assets of Suzhou First pursuant to the terms and conditions of the Disposal Agreement; |
| "Potential Purchaser" | a joint stock company incorporated in the PRC; |
| "PRC" | the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| "Previous Announcements" | the announcements of the Company dated 20 April 2022, 17 May 2022 and 14 June 2022; |
| "Product(s)" | the product(s) to be developed from the Technology; |

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| "Profit Forecast" | has the meaning ascribed to it under sub-section headed "Letter from the Board – (B) The Licensing of the Commercialisation Rights – Compliance with the Listing Rules" in this circular; |
| "Proposed Transactions" | the transactions contemplated under the Transaction Documents; |
| "Registration Approval" | has the meaning ascribed to it under sub-section "Letter from the Board – (B) The Licensing of the Commercialisation Rights – License Fees and royalties" in this circular; |
| "Reporting Accountant" | Moore Stephens CPA Limited; |
| "RMB" | Renminbi, the lawful currency of the PRC; |
| "Second Lock-Up Period" | the 12 months' period commencing from the expiry of the First Lock-Up Period; |
| "Second Lock-Up Shares" | 157,728,863 Consideration Shares that are to be issued and allotted to the Consultants; |
| "SFO" | Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong; |
| "Share(s)" | ordinary share(s) in the share capital of the Company; |
| "Shareholder(s)" | holder(s) of the issued Share(s); |
| "Specific Mandate" | the specific mandate for the allotment and issue of the Consideration Shares, which is subject to the approval by the Shareholders voting by way of poll at the EGM; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "Suzhou First" | Suzhou First Pharmaceutical Co., Ltd.* (蘇州第壹製藥有限公司), a limited liability company established under in the PRC and a wholly-owned subsidiary of the Company; |
| "Technical Team" | the pharmacological and biochemical team; |

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| "Technology" | monoclonal antibody i.e. Orticumab developed by the Licensor for the treatment of atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systemic lupus erythematosus and calcified aortic valve diseases (each an indication of the Product); |
| "Territories" | the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand; |
| "Transaction Documents" | the Licensing & Collaboration Agreement, the Licensing Agreement and the Consultancy Agreements; |
| "US" | the United States of America; |
| "US$" | United States dollars, the lawful currency of the US; |
| "Valuation Report" | the report on the value of the Commercialisation Rights as of 31 May 2022 prepared by the Valuer; |
| "Valuer" | CHFT Advisory and Appraisal Ltd., an independent valuer; and |
| "%" | per cent. |

* In this circular, the English translation of the Chinese name is for identification purposes only, and should not be regarded as the official English translation of the same name.

*For the purpose of this circular, the exchange rate of US$1.0 = RMB6.7 and HK$1.0 = RMB0.85 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK$, US$ or RMB has been, could have been or may be converted at such rates.*

中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1011)**

*Executive Directors:*
Mr. Ng Tit
*(Chairman and Chief Executive Officer)*
Ms. Chin Yu
Mr. Wu Weizhong

*Non-executive Director:*
Dr. Qian Wei

*Independent non-executive Directors:*
Mr. Yu Tze Shan Hailson
Mr. Pan Fei
Dr. Zhao Yubiao

*Registered office:*
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Principal place of Business in Hong Kong:*
28th Floor, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

23 August 2022

*To the Shareholders*

Dear Sir/Madam,

# (1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE LICENSING OF COMMERCIALISATION RIGHTS; AND (2) PROPOSED ISSUANCE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE PURSUANT TO CONSULTANCY AGREEMENTS

## (A) INTRODUCTION

Reference is made to the Announcement in relation to the Transaction Documents and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, inter alia, (i) further details on the Transaction Documents and the transactions contemplated thereunder; (ii) the valuation report of the Commercialisation Rights; (iii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; (iv) a notice convening the EGM as well as other information required to be disclosed under the Listing Rules.

## (B) THE LICENSING OF THE COMMERCIALISATION RIGHTS

Reference is made to the Previous Announcements. On 21 June 2022, the Licensee, a wholly-owned subsidiary of the Company, entered into the Licensing & Collaboration Agreement with the Licensor, pursuant to which the Licensor conditionally agreed to irrevocably grant the Licensee the License, being an exclusive and perpetual license to commercialise the Technology in the Territories, namely the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand. The Technology is monoclonal antibody (i.e. Orticumab), which is currently in Phase II of clinical trial and developed by the Licensor for the treatment of five diseases comprising atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systemic lupus erythematosus and calcified aortic valve diseases (each an indication of the Product).

The principal terms of the Licensing & Collaboration Agreement are set out below:

Parties: (i) The Licensee; and

(ii) The Licensor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Licensor is an Independent Third Party and the ultimate beneficial owners of the Licensor are six individuals, being John J Farina Jr, Willem Mesdag, Edward M Prunchunas, Prediman K Shah, Jan Nilsson and Timothy Weight. John J Farina Jr is the largest shareholder of the Licensor who owns over 30% of the Licensor, and together with Willem Mesdag, they collectively own more than 50% of the Licensor. The Directors understand that no other shareholders of the Licensor owns more than 30% of the equity interest in the Licensor and the ultimate beneficial owners of the Licensor are Independent Third Parties.

**Grant of the License**

Pursuant to the Licensing & Collaboration Agreement, the Licensor will, upon satisfaction of the Licensing Conditions Precedent, irrevocably grant the Licensee an exclusive and perpetual license to commercialise the Technology in the Territories, namely the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand.

Save as the right to commercialise the Technology and develop the Product under the License upon Licensing Completion and the right to receive the Consultancy Service, the scope of which is described in the sub-section headed "Letter from the Board – (F) Consultancy Agreements - Scope of consultancy service" in this circular, upon issuance of the Consideration Shares, the Company and the Licensee have no other material rights under the Licensing & Collaboration Agreement.

**License Fees and royalties**

Pursuant to the Licensing & Collaboration Agreement, the Licensee shall pay the following License Fees and royalties to the Licensor:

***License Fees:***

(i) an initial lump sum payment of US$2 million (equivalent to approximately RMB13.4 million), payable on the License Effective Date;

(ii) for each indication of the Product, a second payment of US$10 million (equivalent to approximately RMB67.0 million), payable upon receipt of product registration approval from the Chinese mainland regulatory authorities (the "**Registration Approval**"); and

(iii) for each indication of the Product, a third payment of US$12 million (equivalent to approximately RMB80.4 million), payable within 12 months after the Registration Approval.

***Royalties:***

Annual royalties of 10% of the Licensee's revenue incurred from sale of the Product in the Territories.

Save as the payments of the License Fees and the royalties to the Licensor and the issuance of Consideration Shares upon the fulfillment of all Issuance Conditions Precedent as described in the sub-section headed "Letter from the Board – (F) Consultancy Agreements – Consultancy service fee" in this circular, the Company and the Licensee have no other material obligations and capital commitment under the Licensing & Collaboration Agreement.

**Non-competition undertakings**

The Licensor has undertaken to the Licensee that it shall not directly or indirectly develop or commercialise the Technology in the Territories after the Licensing Completion.

**Basis of the License Fee**

The License Fees and the royalties were determined by the Licensee and the Licensor after arm's length negotiations with reference to (i) the value of the Commercialisation Rights (for an indication of the Product) as of 31 May 2022, which was approximately RMB191 million based on the preliminary valuation conducted by the Valuer, in accordance with the discounted cash flow method of the income approach as set out in the Valuation Report prepared by the Valuer; (ii) the market potential of the Technology as described in the section headed "Letter from the Board – (E) Reasons for and benefits of the Licensing & Collaboration Agreement" in this circular; (iii) the benefits that are expected to be brought to the Group as a result of the Licensing & Collaboration Agreement, as described in the section headed "Letter from the Board – (E) Reasons for and benefits of the Licensing & Collaboration Agreement" in this circular; and (iv) part of the development cost of Phase II of clinical trial will be borne by the Group.

The total License Fees payable for five indications of the Product amounts to approximately RMB750.4 million. Whereas the value of the Commercialisation Rights of RMB191 million only refers to one indication of the Product based on the current development status of the Technology (i.e. Phase II of clinical trial) and after taking into account the success and failure probabilities of commercialising the Technology. The value of the Commercialisation Rights of RMB191 million (for an indication of the Product) is higher than the upfront payment of RMB93.8 million, being the sum of (i) initial lump sum payment of RMB13.4 million (equivalent to US$2 million, which shall be paid once only); and (ii) the value of the Consideration Shares of approximately RMB80.4 million (equivalent to approximately HK$94.6 million, which is equal to the 473,186,591 Consideration Shares multiplied by the issue price of HK$0.20 per Consideration Share) to be issued under the Consultancy Agreements.

The remaining License Fees, being the second payment of US$10 million (equivalent to approximately RMB67.0 million) and the third payment of US$12 million (equivalent to approximately RMB80.4 million), are contingent payments and payable only upon the Registration Approval. In the event that the Licensee obtains the Registration Approval for the Technology, the estimated value of the Commercialisation Rights will increase substantially and exceed the total amount of the License Fees and the royalties payments to be made by the Licensee.

**Compliance with the Listing Rules**

Since the discounted cash flow method of the income approach was adopted by the Valuer in the preparation of the Valuation Report, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**") and the requirements of Rules 14.60A and 14.62 of the Listing Rules are therefore applicable.

**Assumptions of valuation**

Pursuant to Rule 14.62(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Valuation Report was based are as follows:

***General assumptions***

1. It is assumed that there are no material changes in the current laws, regulations and policies, and the macroeconomic situation of the country, nor are there any material changes in the political, economic and social environment of the regions where the parties to the transactions are located;

2. It is assumed that the future operation and management team of the JV Co will be diligent in their duties, and continue to maintain the existing operation strategies and continue to operate the Product; and

3. It is assumed in the Valuation Report that all basic information and financial information provided by the Licensor and the Company are true, correct and complete.

***Special assumptions***

1. It is assumed that the Licensor will continue its development and clinical trials of drug candidates;

2. It is assumed that the JV Co's research and development team that develops the Technology have competent efficiency in future clinical trials;

3. It is assumed that the JV Co will obtain approval from National Medical Products Administration of China for the Technology with treatment of atherosclerotic cardiovascular diseases by fourth quarter of 2026 and such Product will be available for sale in 2028. Nevertheless, a success probability observed from overall clinical trial statistics is also applied to reflect the potential risk of clinical trial failure;

4. It is assumed that prior to obtaining the marketing authorisation, there will be no major changes in chemistry, manufacturing and controls of the Technology, and no major changes in clinical study regulation and guidelines for the Technology;

5. It is assumed that the JV Co is capable to establish and expand its sales, marketing and commercialisation infrastructure and workforce when the drug candidates obtain marketing approval;

6. It is assumed that the Product will be commercialised for the treatment of atherosclerotic cardiovascular diseases in the valuation assessment.

   The indications of the Product include a total of five diseases: (i) atherosclerotic cardiovascular diseases; (ii) psoriasis; (iii) rheumatoid arthritis; (iv) systematic lupus erythematous; and (v) calcified aortic valve diseases. Considering the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined, while the research and development timetables for other indications are still uncertain as at the valuation date, the market value of the Commercialisation Rights is concluded by assessing the treatment of atherosclerotic cardiovascular diseases in the Territories;

7. It is assumed that the Product will be commercialised according to the following schedule:

   – Application for drug clinical trial: December 2022;

   – Completion of Phase II of clinical trial of atherosclerotic cardiovascular diseases: February 2024;

   – Completion of Phase III of clinical trial of atherosclerotic cardiovascular diseases: June 2025;

   – Approval from related regulators for the Product with treatment of atherosclerotic cardiovascular diseases: December 2026;

   – Sale of the Product in market: January 2028;

8. It is assumed that the expected number of target patients can be reasonably estimated based on following related factors, including but not limited to:

   – The total general population;

   – The prevalence of the disease (i.e. the percentage of population that has the indicated disease);

   – The treatment rate (i.e. the percentage of patients that is actually treated);

9. It is assumed that gross margin and profit margin of the projected financial forecast provided by the Company is consistent with that observed from general market and comparable market players; and

10. It is assumed that the clinical trial success rate for atherosclerotic cardiovascular diseases observed from research and academic studies can represent the projected success rate of future trial results of the Product.

***Confirmation***

The Reporting Accountant has been engaged to report on the calculations of the discounted cash flows used in the Valuation Report prepared by the Valuer. The Reporting Accountant has reported that so far as the accounting policies and arithmetical accuracy of the calculations are concerned, the discounted cash flows have been properly complied in all material aspects in accordance with the bases and assumptions as set out in the Valuation Report. A report from the Reporting Accountant dated 21 June 2022 in relation to the accounting policies and arithmetical accuracy of the calculations of the discounted cash flows is set out in Appendix IV to this circular for the purpose under Rule 14.62(2) of the Listing Rules.

The Directors have reviewed the key assumptions (including the special assumptions) upon which the Profit Forecast was based and are of the view that the Profit Forecast has been made after due and careful enquiry. A letter from the Board dated 21 June 2022 is set out in Appendix V to this circular for the purpose under Rule 14.62(3) of the Listing Rules.

**Conditions precedent of the Licensing & Collaboration Agreement**

According to the Licensing & Collaboration Agreement, the grant of the License shall take effect upon the fulfillment of the following conditions precedent:

(i) the passing by the resolutions of the Shareholders at the EGM to approve the Transaction Documents and the transactions contemplated thereunder;

(ii) the due diligence conducted on the Commercialisation Rights having been completed by the Licensee and the Licensee being satisfied with the results of the due diligence process;

(iii) the Company and the Licensee having entered into Consultancy Agreements with the Consultants;

(iv) the Company and/or the Licensee having entered into employment agreements with the Technical Team;

(v) the warranties given by the Licensor under the Licensing & Collaboration Agreement remaining true and accurate and not misleading in all material respects from the date of the Licensing & Collaboration Agreement up to the Licensing Completion;

(vi) the Company having received a valuation report on the Commercialisation Rights prepared by the Valuer engaged by the Company and the valuation of which is satisfactory to the Company; and

(vii) all necessary consents, approvals, authorisations and licenses in relation to the transactions contemplated under the Licensing & Collaboration Agreement having been obtained.

None of the above Licensing Conditions Precedent is capable of being waived.

Except for condition (vi), none of the conditions above has been fulfilled as at the Latest Practicable Date.

The parties to the Licensing & Collaboration Agreement shall use (to the extent they are able) their respective best endeavours to procure the fulfillment of the Licensing Conditions Precedent on or before 30 June 2023 or such later date as the parties may agree in writing (the "**Licensing Long Stop Date**"). If any of the Licensing Conditions Precedent shall not have been fulfilled in all respects prior to the Licensing Long Stop Date, the Licensing & Collaboration Agreement shall be terminated automatically and of no further effect and all liabilities and obligations of the parties to the Licensing & Collaboration Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties to the Licensing & Collaboration Agreement which shall have accrued prior to such termination.

**The License Effective Date**

The License Effective Date shall take place within five Business Days from the fulfillment of all Licensing Conditions Precedent, or such other date as the parties to the Licensing & Collaboration Agreement may mutually agree in writing.

## (C) INFORMATION ON THE TECHNOLOGY

The Technology is monoclonal antibody (i.e. Orticumab), which is currently in Phase II of clinical trial and developed by the Licensor for the treatment of five diseases comprising atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systemic lupus erythematosus and calcified aortic valve diseases (each an indication of the Product). The Technology had been applied to 249 patients in three clinical trials which showed satisfactory safety and tolerability data and there were no drug-related serious adverse events reported during the trials. It is estimated that the expected research and development expenses for commercialisation of the Technology for atherosclerotic cardiovascular diseases would amount to approximately RMB65.864 million, which breaks down as follows:

| | | **RMB** *(million)* | **RMB** *(million)* |
|---|---|---|---|
| 1. | Clinical application | | 0.652 |
| 2. | Phase II clinical trial | | |
| | – Research and development expenses in clinical centre | 8.600 | |
| | – Inspection expenses for on-site management | 6.000 | |
| | – Other expenses | 0.530 | |
| | | | 15.130 |
| 3. | Phase III international multi-center | | |
| | – Research and development expenses in clinical centre | 21.000 | |
| | – Recruitment expenses | 18.000 | |
| | – Inspection expenses for on-site management | 8.800 | |
| | – Other expenses | 1.700 | |
| | | | 49.500 |
| 4. | Commercialisation | | 0.582 |
| Total | | | 65.864 |

The estimated research and development expenses are calculated based on the research and development expenses for commercialisation of the Technology in China. Labour costs, staff costs and third-parties commission costs will not fluctuate much, and the main fluctuating factor in the research and development expenses is the costs associated with data collection and drug testing. Since the five indications of the Products are not listed in the rare disease list in China,

except for atherosclerotic cardiovascular disease which shall have a higher cost for the clinical testing and diagnosis, the expected research and development expenses for commercialisation of the Technology for each indication of the Product are expected to be similar. It is expected that the total research and development expenses for commercialisation of the Technology for all five diseases would amount to approximately RMB330 million.

The above expected expenses, the License Fees and royalties, and remuneration of the Technical Team will be funded by fund-raising activities of the Group, which may include issue of convertible securities and/or borrowings from external third parties, and by funding from the Municipal Government of RMB300 million. For further details of the funding from the Municipal Government, please refer the sub-section headed "Basis of the fees under the Consultancy Agreements" in this letter. The Company will update its shareholders and investors and issue announcement(s) in accordance with the requirements of the Listing Rules as and when it enters into formal agreements regarding the potential fund-raising activities.

As at the Latest Practicable Date, the progress of the development of the Technology was as follows:

| **Regulating authority** | **Clinical trials identifier** | **Post date** | **Brief summary of the study description** | **Phase** |
|---|---|---|---|---|
| The United States Food and Drug Administration ("**FDA**") | NCT04776629 | Recruitment status: Recruiting<br><br>First posted: 2 March 2021<br><br>Last update posted: 2 August 2021 | The primary purpose of this proof-of-activity, phase 2 trial is to evaluate the safety and activity of Orticumab in subjects with moderate to severe psoriasis and cardiometabolic risk factors. | Phase 2 |
| FDA | NCT01486823 | Recruitment status: Completed<br><br>First posted: 7 December 2011<br><br>Last update posted: 11 December 2012 | This is a study on healthy volunteers designed to investigate the pharmacokinetics following intravenous and subcutaneous administration of MLDL1278A (also known as BI-204). The bioavailability of MLDL1278A after subcutaneous administration will be determined. | Phase 1 |

| Regulating authority | Clinical trials identifier | Post date | Brief summary of the study description | Phase |
|---|---|---|---|---|
| FDA | NCT01258907 | Recruitment status: Completed<br><br>First posted: 13 December 2010<br><br>Last update posted: 2 November 2016 | This is a Phase II (proof-of-activity), double-blind, placebo-controlled, randomized, multicenter study of MLDL1278A (also known as BI-204) involving patients on standard-of-care therapy for atherosclerotic cardiovascular disease with evidence of vascular inflammation, as quantified by positron emission tomography (PET) imaging with 18F-fluorodeoxyglucose (FDG)/computed tomography (CT). | Phase 2 |

The Directors confirm that it is of the Company's interest to prioritise the development and commercialisation of the indication for the atherosclerotic cardiovascular diseases, after taking into account (i) the Company's financial position; (ii) the potential return to be generated upon succeeding in such commercialisation; and (iii) given the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined. Set out below is the expected timetable of the Product for treating atherosclerotic cardiovascular diseases only:

| | |
|---|---|
| December 2022 | Application for drug clinical trial |
| February 2024 | Completion of Phase II of clinical trial of atherosclerotic cardiovascular diseases |
| June 2025 | Completion of Phase III of clinical trial of atherosclerotic cardiovascular diseases |
| December 2026 | Approval from related regulators for the Product for treatment of atherosclerotic cardiovascular diseases |
| January 2028 | Sale of the Product for treatment of atherosclerotic cardiovascular diseases in market |

Further to the above, set out below is the indicative timetable of the research and development for the other four indications of the Products:

| Disease | Event | Expected date |
|---|---|---|
| Psoriasis | Pre-investigational new drug application | September 2022 |
| | Investigational new drug application | December 2022 |
| | Phase I bridging study | February 2023 |
| | Phase II proof-of-concept study | October 2023 |
| | Phase III pivotal study | June 2025 |
| Rheumatoid arthritis | Non-clinical study | Completed in January 2021 |
| | Phase II proof-of-concept study | August 2024 |
| | Phase III pivotal study | March 2026 |
| Systemic lupus erythematosus | Non-clinical study | Completed in January 2021 |
| | Phase II proof-of-concept study | August 2024 |
| | Phase III pivotal study | March 2026 |
| Calcified aortic valve diseases | Non-clinical study | Completed in January 2021 |
| | Phase II proof-of-concept study | August 2024 |
| | Phase III pivotal study | March 2026 |

The above indicative timetable is for information purpose only and the development of the above four indications of the Product will be subject to, among other things, the result of the research and development of the Product for treating atherosclerotic cardiovascular diseases. Overall, the Group may not be able to ultimately develop and market the five indications of the Products.

## (D) INFORMATION ON THE PARTIES TO THE LICENSING & COLLABORATION AGREEMENT

### The Company

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 Licensee

The Licensee is a limited liability company established in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding and research and development of bio-pharmaceutical products.

### The Licensor

The Licensor is a limited liability incorporated in Delaware, USA and is an Independent Third Party. The Licensor is a clinical-stage biopharmaceutical company developing first-in-class therapeutics for cardiovascular and inflammatory diseases. The Licensor has offices in Los Angeles. Its team includes experienced drug developers and founding scientists that pioneered the approach to oxidized LDL blockade.

## (E) REASONS FOR AND BENEFITS OF THE LICENSING & COLLABORATION AGREEMENT

In the past 30 years, monoclonal antibodies have been commonly used as a biological treatment for tumor therapeutic fields, but the development and application in certain other therapeutic fields remain to be explored. Orticumab is a new-generation of monoclonal antibody targeting oxidized LDL that will become the Company's targeting therapeutic field of development which can be free from side effects and safety issues of conventional biological immunomodulators. Orticumab is currently in Phase II of clinical trials and developed by the Licensor for the treatment of five diseases comprising atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systemic lupus erythematosus and calcified aortic valve diseases. Pursuant to the Licensing & Collaboration Agreement, the Licensee will have the exclusive and perpetual right to commercialise Orticumab in the Territories and the Company will enter into (i) the Consultancy Agreements with the Consultants; and (ii) the employment agreements with the Technical Team which is a pharmacological and biochemical team, who has the ability of in-depth research and development on a wide range of inflammation (especially autoimmune diseases) and some preclinical (early) treatment of cardiovascular and other inflammatory diseases.

The Technical Team has rich industry experience and is familiar with new drug regulations in the PRC and the US and will help facilitating the process of product registration with the relevant regulatory authorities in the PRC, with expected completion within the next four to five

years. Based on the Company's own research, there are no drugs similar to Orticumab under development and the successful development of Orticumab shall have a potential market of almost 200 million patients in the PRC. Orticumab will be commercialised in the Territories by leveraging on the Company's existing drug sales and distribution network and experience and the potential sales of each ancillary drug to be developed based on Orticumab is expected to be significant in the Territories.

The Licensing & Collaboration Agreement will also facilitate the fulfillment of the requirement for the Company to actively promote and introduce innovative drugs under the Framework Agreement, which is a part of the Group's plan in restructuring its business.

Upon the Licensing Completion, the Group will achieve a key milestone with the successful acquisition of the Commercialisation Rights which increases its market potential. It is believed that as a result, the competitiveness of the Group will be further enhanced and the Group's performance will be improved significantly.

In light of the foregoing, the Board considers that the terms of the Licensing & Collaboration Agreement, which are determined after arm's length negotiations between the Licensee and the Licensor, are on normal commercial terms which are fair and reasonable, and the entering into of the Licensing & Collaboration Agreement is in the interests of the Company and the Shareholders as a whole. No Directors had any material interest in the Licensing & Collaboration Agreement nor were required to abstain from participating in the passing of the resolutions for the approval of the Licensing & Collaboration Agreement.

**(F) CONSULTANCY AGREEMENTS**

One of the Licensing Conditions Precedent is the entering into of the Consultancy Agreements among the Company, the Licensee and the Consultants, pursuant to which the Company will engage the Consultants to provide the Consultancy Services. As a consideration for the Consultancy Services, the Company will allot and issue 463,722,859 and 9,463,732 Consideration Shares to Mr. Wang and Dr. Gao, respectively, under the Specific Mandate at the Issue Price of HK$0.20 per Consideration Share upon the fulfillment of all Issuance Conditions Precedent.

The principal terms of the Consultancy Agreements are set out below:

Parties:

(i) the Company;

(ii) the Licensee; and

(iii) the Consultants.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Consultants are Independent Third Parties and there is no side arrangement, understanding or agreement between the Licensor and each of the Consultants.

**Term of service under the Consultancy Agreements**

Commencing from Licensing Completion to (i) three years from the date of Licensing Completion; or (ii) the start of mass production of the first indication of the Product (whichever is later).

The Company targets to obtain the approval of at least one indication of the Product from the relevant regulatory authorities in the PRC to commercialise the Technology and the Product and boost up revenue of the Group. Therefore, the indication for the atherosclerotic cardiovascular diseases is currently the main focus of research and development of the Technology after taking into account the costs and capital investments. Future research and development of the Technology and Product will be determined based on various considerations, including progress of the research and development of the Technology and the Product and economic benefits. The Company will consider the need of extension of the Consultancy Agreements after the first indication of the Product is successfully developed and marketed, and the expansion of the Technical Team in the section headed "Information of the Technical Team" in this letter, subject to the status of the research and development of the remaining indications of the Product.

**Subject matter**

Pursuant to the Consultancy Agreements, the Consultants shall, among others, provide consultancy services on research and development of the Technology and Product registration with the relevant regulatory authorities in the PRC to the Licensee.

**Scope of consultancy service**

Pursuant to the Consultancy Agreements, the scope of the consulting services shall include the followings:

(i) supervise the search and development of the Technology and Product registration with the relevant regulatory authorities in the PRC;

(ii) develop research plan for clinical trials of the Technology;

(iii) participate in statistical work on the clinical research results;

(iv) attend to and supervise all research procedures of the Technology and the Product;

(v) submit clinical application of the Technology to various authorities and responding to enquiries in relation thereto;

(vi) communicate, consult and coordinate with and respond, in a timely manner, to the relevant government authorities, agencies, regulators, officials and representatives in respect of all matters relating to the business of the research and development and commercialisation of the Technology and the Products;

(vii) provide assistance to and applicable information for the Licensee to obtain the necessary consents, approvals, permits and licences, as applicable, in relation to the business of the research and development and commercialisation of the Technology and the Products and operation of the Licensee and its subsidiaries;

(viii) provide advice and/or communicate with senior management of the Licensee and its subsidiaries, including without limitation, advice regarding the operation and development of the business of the research and development and commercialisation of the Technology and the Products;

(ix) provide advice and/or communicate with major suppliers of the Licensee;

(collectively, the "**Consultancy Services**")

whereby the Consultant as requested by the Licensee shall actively carry out liaison, consultation and negotiation with the competent government authorities, agencies, regulators, customers, suppliers and various related parties to the research and development and commercialisation of the Technology.

**Information on the Consultants**

Mr. Wang graduated from the University of South Florida with a master's degree in pharmaceutical sciences. Before joining the Licensee, he worked in the US pharmaceutical industry and regulatory affairs for over 20 years. He has extensive experience across multiple key functions in the biotech industry, including business development, alliance management, research and development, and regulatory affairs. Mr. Wang has previously worked at the Licensor and during his tenure with the Licensor, he was responsible in leading research and development of the Technology, in particular, Mr. Wang was mainly responsible for submission of clinical application of the Technology with FDA and responding to enquiries from FDA, and research on drug registration and regulations.

Dr. Gao obtained his PhD in Medicine from Sun Yat-Sen University of Medical Sciences in 1996 and PhD in Clinical Trials Statistics from University of South Florida in 2005. Dr. Gao does not only have experience in clinical practice and basic medical research, but also has 17 years of experience in drug application and registration certification with FDA, the European Medicines Agency and China Food and Drug Administration. He worked as an Executive Vice President at Shenzhen Saibainuo Gene Technology Co., Ltd., and as a Distinguished Professor and Chief Physician at Lanzhou University. He led 207 clinical trial projects for well-established companies including the world's top drug companies such as Merck, Pfizer, Sanofi, Astrazeneca, BMS, GSK,

Novartis, Roche, Eisai, Beigene, Alcon, etc. Mr. Gao has also previously worked at the Licensor and during his tenure with the Licensor, he assisted to develop the research plan for clinical trials of the Technology and participated in the statistical work on the clinical research results.

**Consultancy service fee**

As a consideration for the Consultancy Services, the Company will allot and issue 473,186,591 Consideration Shares to the Consultants under the Specific Mandate at the Issue Price of HK$0.20 per Consideration Share upon the fulfillment of all Issuance Conditions Precedent.

The 473,186,591 Consideration Shares represent: (i) approximately 24.8% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 19.9% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the issuance of the Consideration Shares). The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Shareholders at the EGM.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will rank pari passu in all respects with each other and with the Shares in issue at the time of issuance of the Consideration Shares.

**Issue Price**

The issue price of HK$0.20 per Consideration Share was determined after arm's length negotiation between the Company and the Consultants with reference to, among other things, the recent trading prices of the Shares, which represents:

(i) a discount of approximately 6.10% to the closing price of HK$0.213 per Share as quoted on the Stock Exchange on the date of the Announcement;

(ii) a premium of approximately 2.04% over the average closing price of HK$0.196 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to and including the date of the Announcement;

(iii) a premium of approximately 6.38% over the average closing price of HK$0.188 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to and including the date of the Announcement;

(iv) a premium of approximately HK$0.33 over the net equity deficiency attributable to the Shareholders of approximately RMB0.11 (equivalent to approximately HK$0.13) as at 31 December 2021; and

(v) a premium of approximately 58.73% over the closing price of HK$0.126 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

**Lock-up arrangement on the Consideration Shares**

According to the Consultancy Agreements, each of the Consultants undertakes to the Company that:

(i) he shall not offer, sell, contract to sell, transfer, pledge, create any encumbrances over or otherwise dispose of, directly or indirectly, the First Lock-Up Shares, enter into transaction(s) which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the First Lock-Up Shares during the First Lock-Up Period without the prior written consent of the Company; and

(ii) he shall not offer, sell, contract to sell, transfer, pledge, create any encumbrances over or otherwise dispose of, directly or indirectly, the Second Lock-Up Shares, enter into transaction(s) which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Second Lock-Up Shares during the Second Lock-Up Period without the prior written consent of the Company.

**Basis of the fees under the Consultancy Agreements**

The fees payable under the Consultancy Agreements are payable by way of issue of the Consideration Shares. The First Lock-Up Shares and the Second Lock-Up Shares (which are valued at an aggregate of approximately HK$63.1 million at HK$0.20 per Consideration Share), are the Consultancy Services fees and the incentive bonuses to the Consultants for the service period commencing from Licensing Completion to (i) three years from the date of the Licensing Completion; or (ii) the start of mass production of the first indication of the Product, whichever is later. The Company will not pay any other type of remunerations to the Consultants for their Consultancy Services during the term of the Consultancy Agreements.

When determining the amount of the Consultancy Services fees, the Company made references to (i) the market rate of annual salary of leading research and development personnel in the pharmaceutical industry for new products with reference to the annual remuneration packages of founders of 24 biotech companies currently listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules (the "**Comparable Companies**") with an average of approximately RMB28 million; (ii) the backgrounds, experience, seniority, and the last positions held by the respective Consultants with the Licensor; and (iii) the intended roles of the Consultants in facilitating the commercialisation of the Technology. The total annual remuneration to the Consultants is approximately RMB17.9 million, representing the value of the Consideration Shares of approximately RMB80.4 million (equivalent to approximately HK$94.6 million, which is

equal to the 473,186,591 Consideration Shares multiplied by the issue price of HK$0.20 per Consideration Share) to be issued under the Consultancy Agreements less the commission fees payable to the Consultants of approximately RMB26.8 million (details as set out in this section below), which is the 157,728,863 Consideration Shares (i.e. approximately one-third of the total Consideration Shares) that are not subject to the lockup arrangements (which are valued at approximately HK$31.5 million based on the issue price of HK$0.20 per Consideration Share), and divided by the minimum term of service under the Consultancy Agreements of three years. The total annual remuneration to the Consultants is below the average of the aforesaid annual remuneration packages of the founders of the Comparable Companies.

During Mr. Wang's tenure with the Licensor, he was responsible in leading research and development of the Technology. In particular, Mr. Wang was mainly responsible for submission of clinical application of the Technology to FDA and responding to enquiries from FDA, and research on drug registration and regulations. Whereas, during Dr. Gao's tenure with the Licensor, he assisted to develop the research plan for clinical trials of the Technology and participated in the statistical work on the clinical research results. Pursuant to the Consultancy Agreements, both of Mr. Wang and Dr. Gao will be jointly responsible for providing the Consultancy Services. Going forward, the Company intends that Mr. Wang shall be the lead Consultant, mainly responsible for clinical research design of the Technology in the Territories, submission of the clinical trial data and reply to enquiries from the relevant regulatory authorities relating to the Technology and supervision of the research and development of the Technology and Product registration with the relevant regulatory authorities in the PRC, whereas Dr. Gao shall be mainly responsible for assisting with further development and application of the Technology, developing the research plan for clinical trials of the Technology and participating in statistical work on the clinical research results.

Based on the nature of the roles assumed by the Consultants during their tenure with the Licensor in the past and with the Licensee in facilitating the commercialisation of the Technology in the future, the Board considers that the allocation of the Consultancy Service fees to Mr. Wang and Dr. Gao is fair and reasonable.

The financial position of the Company would not allow the Company to pay the Consultants cash remuneration like other listed companies in transactions of similar nature. Issuing the Consideration Shares as payment for the Consultancy Services is the only option the Company can offer to the Consultants. The Consultants being confident with the successful launch of the Products, believe that the Products will be able to enhance the Group's competitiveness and performance significantly which they believe will also be reflected in the future trading price of the Shares. After arm's length negotiations with the Consultants, the Consultants accepted the Consideration Shares as the only remuneration for them under the Consultancy Agreements.

Based on the above, the Directors are of the view that the issues of the First Lock-Up Shares and the Second Lock-Up Shares are of normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

The 157,728,863 Consideration Shares (i.e. approximately one-third of the total Consideration Shares) that are not subject to the abovementioned lockup arrangements (which are valued at approximately HK$31.5 million at HK$0.20 per Consideration Share) are the commission fees payable to the Consultants for acting as the facilitators between the Licensor and the Company, which was crucial during the negotiation stage of the Licensing & Collaboration Agreement.

When determining the amount of commission fee payable to the Consultants, the Company took into account of the prevailing market rate of commission fee for transactions of pharmaceutical companies, being not more than 10% of the transaction size. The Company also considered that the involvement of the Consultants during the negotiation stage of the Licensing & Collaboration Agreement was crucial as the Consultants were the only connection between the Company and the Licensor. The knowledge of the Consultants of the Technology and the understanding of the Licensor's organisation structure was very important to the Company and was crucial for the Company being able to successfully secure the signing of the Licensing & Collaboration Agreement.

Also, the Licensing & Collaboration Agreement is of vital importance to the Company. As disclosed in the annual report of the Company for the financial year ended 31 December 2021, the Group has current liabilities of approximately RMB896 million as at 31 December 2021, all of which has been due or will be due for repayment within 2022. To be able to continue as a going concern, the Group must take various measures to improve the Group's liquidity position. On 29 April 2022, the Group has entered into a Framework Agreement with the Municipal Government as a strategic investor to set up the JV Co specialising in pharmaceutical research and development. Pursuant to the Framework Agreement, the Municipal Government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the JV Co and RMB300 million to subscribe for not more than 15% equity interest in the JV Co. The implementation of the Framework Agreement will bring new energy to the sustainable growth of the Group and provide additional liquidity to the Group. For purpose of the implementation of the Framework Agreement, the Group must secure a solid research and development project, which is now the Licensing & Collaboration Agreement. Hence the vital importance of the Licensing & Collaboration Agreement in turn explains the crucial importance of the role the Consultants played during the negotiation of the Licensing & Collaboration Agreement between the Company and the Licensor, which resulted in the successful entering of the Licensing & Collaboration Agreement among the Company, the Licensee and the Licensor.

Based on the above, the Directors are of the view that the issue of the 157,728,863 Consideration Shares (i.e. approximately one-third of the total Consideration Shares) as commissions to the Consultants is of normal commercial terms and in the interests of the Company and its Shareholders as a whole.

**Conditions precedent to the issuance of the Consideration Shares**

The issue of the Consideration Shares by the Company to the Consultants is subject to the fulfilment of each of the following conditions (none of which may be waived):

(i) the passing by the resolutions of the Shareholders at the EGM to approve the allotment and issue of the Consideration Shares by the Company under the Specific Mandate; and

(ii) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares.

## (G) INFORMATION OF THE TECHNICAL TEAM

The Technical Team, which will be led by Mr. Wang and Dr. Gao, will be providing the Consultancy Services to attempt to achieve commercialisation of the Product. As at the Latest Practicable Date, the Company is in discussion with a number of key potential candidates for the formation of the Technical Team and set out below a summary of their biographies:

**Candidate A**

Candidate A received her Bachelor of Science degree in Chemistry from Nanjing University and her PhD in Chemistry from UAB, USA, M.S. in Computer Science from Georgia Institute of Technology. She has 13 years of experience in developing and applying computational techniques for disease biology research and drug design, which covers neurodegenerative diseases, cardiovascular diseases, cancer, rare diseases, and infectious diseases. She was the Head of GHDDI AI Division of Global Health Drug Discovery Center and Winner of the 2021 Merck Innovation Award for Epidemic Preparedness. She has successfully built the largest pharmacology database in China, built, and fully evaluated an open-source cutting-edge AI drug discovery platform with more than 6,000 AI models.

**Candidate B**

Candidate B received his Bachelor of Science degree in Biotechnology from the School of Life Sciences of Nanjing University, and his PhD degree in Chemistry from the University of Cincinnati, USA, and a postdoctoral fellowship in Pharmaceutical Sciences from the University of Michigan School of Pharmacy. He has 14 years of multidisciplinary research and industry experience in pharmaceutical sciences, chemistry, biological and life sciences, and data science. He successfully participated in the PCC test of 1 IND, and successfully built AI-based lead IND, IB, NDA preparation, review, and optimization iMassFrag, the preclinical and clinical development platform. In addition, he co-discovered the PROTAC BET degrader QCA570 and the BET inhibitors CF53 and CD161 together with other professors. He was a senior researcher at BeiGene Research and Development Center. He and his team were responsible for several DMPK optimization projects for active chemicals in the early stages of new drug development and research on drug

metabolism of multiple new drug candidates in non-clinical and clinical phases, and DMPK-related new drug submissions.

**Candidate C**

Candidate C has 28 years of biopharmaceutical experience and extensive drug discovery and preclinical development experience. He submitted multiple INDs and advanced more than 10 molecules to the clinical stage. Before returning to China from the US, he worked at Amegen as Chief Scientific Officer, at NGMBIO as Chief Scientific Officer and at NGMBIO as Lab Director.

**Candidate D**

Candidate D worked over 15 years as a preclinical scientist and drug discovery program manager in diabetes, oncology, atherosclerosis, neuroscience, and immunology. He did much to advance two compounds into human clinical trials. He worked at Merck as Senior Scientist, at E. J. Corey Institute of Biomedical Sciences as managing Director and at NGMBIO as Lab Director and at University of Massachusetts Boston as Project Manager.

Going forward, for commercialisation of the Products in the Territories, the Company intends to hire additional research and development personnel with expertise and experience in the areas of clinical studies, translational research and other areas to join the Technical Team as per the Company's needs, and to build and develop a strong Technical Team under the leadership of the Consultants during their tenure with the Licensee. The Company will assess the size of the Technical Team required for the remaining four indications of the Product in light of the performance of the first indication of the Product. Should the continuing service of the Consultants is required for the remaining four indications of the Product, the Company will negotiate with the Consultants regarding extension of the term of the Consultancy Agreements or engage other consultants with similar background and experience to lead the Technical Team.

## (H) EFFECT OF THE ISSUANCE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of ordinary shares of the Company and the effect on the shareholding structure of the Company upon the issuance of the Consideration Shares (assuming that there are no other changes in the issued share capital of the Company prior to the issuance of Consideration Shares) are set out as follows:

| | **As at the Latest Practicable Date** | | **Immediately upon Licensing Completion** | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate % of shareholding* | *Number of Shares* | *Approximate % of shareholding* |
| Mr. Ieong, Ms. Shum and Annie Investment[(1)] | 529,081,500 | 27.8% | 529,081,500 | 22.3% |
| Mr. Wang | – | – | 463,722,859 | 19.5% |
| Mr. Ng, Ms. Chin and Golden Base[(2)] | 403,392,000 | 21.2% | 403,392,000 | 17.0% |
| Dr. Gao | – | – | 9,463,732 | 0.4% |
| Mr. Wu Weizhong[(3)] | 1,066,858 | 0.0% | 1,066,858 | 0.0% |
| Mr. Yu Tze Shan Hailson[(3)] | 150,000 | 0.0% | 150,000 | 0.0% |
| Other Shareholders | 970,945,114 | 51.0% | 970,945,114 | 40.8% |
| Total | 1,904,635,472 | 100.0% | 2,377,822,063 | 100.00% |

*Notes:*

(1) Mr. Ieong Chong Mang ("**Mr. Ieong**") is the beneficial owner as to 308,802,500 Shares. Ms. Shum Ning ("**Ms. Shum**") holds 220,279,000 Shares through a controlled company Annie Investment Co., Ltd. ("**Annie Investment**"). Ms. Shum is the spouse of Mr. Ieong. Under the SFO, Ms. Shum is deemed to be interested in all the Shares in which Mr. Ieong is interested in and vice versa.

(2) Mr. Ng Tit ("**Mr. Ng**") and his spouse, Ms. Chin Yu ("**Ms. Chin**"), both executive Directors, jointly own 500,000 Shares. 4,000,000 share options (which have not been exercised as at Latest Practicable Date) were granted to Ms. Chin under the share option scheme of the Company adopted on 22 September 2014. An aggregate of 402,892,000 Shares are beneficially owned by Golden Base Investment Limited ("**Golden Base**"). Golden Base is owned as to 50% by Mr. Ng and 50% by Ms. Chin. Under the SFO, Ms. Chin is deemed to be interested in all the Shares in which Mr. Ng is interested in and vice versa.

(3) Mr. Wu Weizhong and Mr. Yu Tze Shan Hailson are the executive Director and the independent non-executive Director, respectively.

Based on the table above, the issuance of the Consideration Shares by the Company will not result in any change of control of the Company.

## (I) FINANCIAL IMPACT OF THE PROPOSED TRANSACTIONS

As set out in the Valuation Report in Appendix III to this circular, the value of the Commercialisation Rights, which is prepared and complied with the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors and International Valuation Standards published by the International Valuation Standards Council, is estimated to be RMB191 million (the "**Market Value**"). As advised by the Valuer, the annual royalties payable to the Licensor (the "**Annual Royalties**"), representing 10% of the sales of the Products in the Territories, are considered as operating expenses and are deducted from the forecasted cashflow in the valuation of the Market Value.

For financial reporting purpose, the Directors consider the Licensing Conditions Precedent including entering into of the Consultancy Agreements with the Consultants and entering into employment agreements with the Technical Team constitute a substantive process under the relevant accounting standards. The acquisition of the Commercialisation Rights therefore constitutes a business combination under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* (the "**HKFRS 3**") when all the relevant facts and circumstances are considered together.

In accordance with the HKFRS 3, the Commercialisation Rights is required to be capitalised and recognised as an asset in the financial statement of the Group after a purchase price allocation process. For the purpose of the initial recognition of the Commercialisation Rights, the Annual Royalties are deemed to be a part of the consideration to be transferred, but not a part of the operating expenses deducted from the forecasted cash flow in the valuation of the Market Value. Based on the above, immediately upon Licensing Completion, the intangible assets of the Group are expected to increase by approximately RMB588.0 million. The aforesaid increase represents the asset value of the Commercialisation Rights in respect of one indication of the Products (i.e. atherosclerotic cardiovascular diseases) estimated by the Valuer for initial recognition for financial reporting purpose (the "**Asset Value**") in accordance with the HKFRS 3.

The Board has performed impairment assessment of the aforesaid intangible assets of RMB588.0 million to be recognised in accordance with Hong Kong Accounting Standard 36 – *Impairment of Assets* (the "**HKAS 36**"), which defines recoverable amount to be the higher of value in use and fair value less costs of disposal. Based on the above, the Board concluded that there is no impairment of intangible assets of RMB588.0 million to be recognised in accordance with HKAS 36.

The Directors confirmed that they would assess impairment of the licensing of Commercialisation Rights in subsequent reporting periods in accordance with the requirements of HKAS 36, adopt consistent accounting policies and valuation methodology in preparing the Group's consolidated financial statements, and will disclose the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36 in the Group's annual reports. The Company's auditor will review in accordance with Hong Kong Standards on Auditing, the appropriateness of the key assumptions used by the

Directors, to estimate the recoverable amount of the licensing of the Commercialisation Rights based on the facts and circumstance at the end of each reporting period, to ensure the impairment assessment performed by the Directors is in compliance with HKAS 36 and is consistently applied.

The Asset Value of approximately RMB588.0 million is different from the Market Value of RMB191 million, which is mainly because the Asset Value has added back the fair value of the Annual Royalties, which was deducted as operating expenses in the estimation of the Market Value, as estimated by the Valuer. The aforesaid fair value of the Annual Royalties was calculated by the Valuer largely based on: (a) the estimated sales of the Products during the forecast period and multiplies by the royalty rate of 10% to derive the Annual Royalties; (b) the Annual Royalties were discounted to present values; and (c) the aggregate present value of the Annual Royalties was then multiplied by the success rate of the Products. Save for the treatment of the Annual Royalties as explained above, as advised by the Valuer, the basis and assumptions in the valuation of the Asset Value and the Market Value are remain the same.

The deferred tax liabilities corresponding to the intangible assets will increase by approximately RMB88.2 million. The initial lump sum payment of License Fees of US$2.0 million (equivalent to approximately RMB13.4 million) will reduce the cash and cash equivalents balance, while the second and the third payments of License Fees and the Annual Royalties will increase the contingent consideration payables by approximately RMB430.2 million (being the fair value of these payments in respect of one indication of the Products (i.e. atherosclerotic cardiovascular diseases) immediately upon Licensing Completion, as estimated by the Valuer). As a result of the above, a gain on bargain purchase of approximately RMB56.2 million will be recognised in profit or loss.

The value of the Consideration Shares without any lock-up of approximately RMB26.8 million (equivalent to approximately HK$31.5 million, which is equal to the 157,728,863 Consideration Shares multiplied by the issue price of HK$0.20 per Consideration Share) are the commission fees payable to the Consultants and will be recognised in profit or loss.

The value of the Consideration Shares with lock-up of approximately RMB53.6 million (equivalent to approximately HK$63.1 million, which is equal to the 315,457,728 Consideration Shares multiplied by the issue price of HK$0.20 per Consideration Share) is considered as vested and recognised immediately upon Licensing Completion. The Directors consider it represents the future service from the Consultants not yet received and will be recognised in prepayment.

The abovementioned financial effects are shown for illustrative purpose only. The actual impact on the consolidated financial statements of the Company will depend on, among other things, the fair value of the intangible assets, the fair value of the License Fees payables and Annual Royalties at Licensing Completion and the fair market value of the Consideration Shares to be issued at the time of issuance.

The aforesaid accounting treatment of the Proposed Transactions has been reviewed by the reporting accountant. Nothing has come to its attention that the accounting treatment of the Proposed Transactions is not in accordance with applicable accounting standards.

On the basis of the above, the audit committee of the Company is of the view that the accounting treatment of the Proposed Transactions, including but not limited to the recognition of the increase in intangible assets of RMB588.0 million upon completion of the Proposed Transactions and the recognition of a gain on bargain purchase of approximately RMB56.2 million is consistent with (i) the Company's accounting policy; and (ii) Hong Kong Financial Reporting Standards.

## (J) COMPLIANCE WITH THE LISTING RULES

Since the discounted cash flow method of the income approach was adopted by the Valuer in the estimation of the Asset Value, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Asset Value Profit Forecast**") and the requirements of Rules 14.60A and 14.62 of the Listing Rules are therefore applicable.

### Assumptions of valuation

Pursuant to Rule 14.62(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Asset Value was based are the same as those adopted for the estimation of the Market Value, which are set out in the paragraph headed "Assumptions of valuation" in the section headed "(B) THE LICENSING OF THE COMMERCIALISATION RIGHTS", except that the annual royalties payable to the Licensor are not deducted as operating expenses in the estimation of the Asset Value.

### Confirmation

The Reporting Accountant has been engaged to report on the calculations of the discounted cash flows used in the valuation of the Asset Value prepared by the Valuer. The Reporting Accountant has reported that so far as the accounting policies and arithmetical accuracy of the calculations are concerned, the discounted cash flows have been properly complied in all material aspects in accordance with the bases and assumptions as set out in section 9 of the Valuation Report. A report from the Reporting Accountant dated 23 August 2022 in relation to the accounting policies and arithmetical accuracy of the calculations of the discounted cash flows is set out in Appendix IV to this circular for the purpose under Rule 14.62(2) of the Listing Rules.

The Directors have reviewed the key assumptions (including the special assumptions) upon which the Asset Value Profit Forecast was based and are of the view that the Asset Value Profit Forecast has been made after due and careful enquiry. A letter from the Board dated 23 August 2022 is set out in Appendix V to this circular for the purpose under Rule 14.62(3) of the Listing Rules.

## (K) LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Licensing & Collaboration Agreement exceed 100%, the Licensing & Collaboration Agreement 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.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no 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.

The EGM will be held on Tuesday, 13 September 2022 at 10:00 a.m. at No. 1 HuaLing Road, SuZhou Industrial Park, SuZhou, the PRC, for the purpose of considering, and if thought fit, approving the Transaction Documents and the transactions contemplated thereunder, including but not limited to the Proposed Transactions (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares), A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish.

## (L) RECOMMENDATION

The Directors consider the terms of the Transaction Documents are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the Transaction Documents and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares).

## (M) FURTHER INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
**China NT Pharma Group Company Limited**
**Ng Tit**
*Chairman*

## I. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for the years ended 31 December 2019, 2020 and 2021 was disclosed in the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021, respectively. The aforementioned financial information has been published on both the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the website of the Company (http://www.ntpharma.com). Please refer to the hyperlinks as stated below:

(i) Annual report of the Company for the year ended 31 December 2019 (pages 161 to 384):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051401727.pdf

(ii) Annual report of the Company for the year ended 31 December 2020 (pages 133 to 360):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000771.pdf

(iii) Annual report of the Company for the year ended 31 December 2021 (pages 87 to 225):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0530/2022053001249.pdf

## II. INDEBTEDNESS

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Group was as follows:

| | *RMB'000* |
|---|---|
| Secured bank borrowings *(Note (a))* | 369,448 |
| Secured other borrowings *(Note (a))* | 165,078 |
| Unsecured redeemed convertible preference shares *(Note (b))* | 196,103 |
| Unsecured other borrowings | 75,288 |
| Unsecured corporate bonds | 19,668 |
| Interest payables included in other payables and accruals | 58,768 |
| Leased liabilities *(Note (c))* | 676 |
| | 885,029 |

*Notes:*

(a) As at 30 June 2022, secured bank and other borrowings were secured by the following assets of the Group:

| | *RMB'000* |
|---|---|
| Fixed assets | 237,375 |

As at 30 June 2022, the Group also pledged all equity interest of BT Biopharmaceuticals Jiangsu Co., Ltd. (泰淩生物製藥江蘇有限公司) to secure certain other borrowings.

(b) On 13 June 2017, the Company issued 294,659,500 non-voting redeemable convertible preference shares at HK$1.83 each ("**CPSs**") with total gross proceeds of HK$539,227,000. The costs of issuing these CPSs amounted to approximately HK$5,000,000.

Upon lapse of conversion rights of matured redeemable CPSs and repayment of RMB225,842,000 during the year ended 31 December 2020, as at 30 June 2022, CPSs of RMB196,103,000 were reclassified to other borrowings carried at amortised cost, bearing interest at the rate of 5% from 13 June 2020. On 31 December 2021, the holders of CPSs have agreed the repayment date of the outstanding CPSs as other borrowings to be extended to 31 December 2023.

(c) As at 30 June 2022, the Group entered into several lease agreements for leasing of property and recognised right-of-use assets and lease liabilities for these leases. Such lease liabilities amounted to approximately RMB676,000 as at 30 June 2022, which were classified as to RMB577,000 as current liabilities and RMB99,000 as non-current liabilities.

**Contingent liabilities**

***Outstanding litigation***

(i) On 5 January 2021, a customer as the plaintiff, filed a legal proceeding against a subsidiary as defendant in 北京市東城區人民法院 (the "**Court**") in respect of overdue promotional service charges of RMB24,455,000, and related expenses of RMB12,000, totalling approximately RMB24,467,000.

On 9 September 2021, the Group received a judgement from the Court and ordered that claim liability amounted to approximately RMB24,467,000 together with interests accrued thereon and related legal costs, is required to be settled by the defendant.

(ii) On 24 August 2021, a writ of summons was issued by an associate, 泰州醫藥城盈泰醫藥有限公司, as plaintiff, against a wholly owned subsidiary of the Group, NT (BJ) Pharma Technology Co., Ltd (泰淩(北京)醫藥科技開發有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), collectively as defendants. The plaintiff claimed for the outstanding promotional service fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院 and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. On 6 January 2022, the parties have entered into a settlement agreement that the defendants shall pay to the plaintiff a total sum of approximately RMB68,231,000.

(iii) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against a wholly owned subsidiary, Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰淩醫藥有限公司), NTP (China) Investment Co., Ltd (泰淩(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰淩醫藥(長沙)有限公司), collectively as defendants. The plaintiff claimed for the repayment of principal and the accrued interests of a loan in the total amount of approximately RMB35,260,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰淩醫藥有限公司), NTP (China) Investment Co., Ltd (泰淩(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰淩醫藥(長沙)有限公司), collectively as defendants, reached a mediation that the claimed borrowings were revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

(iv) On 6 December 2021, a PRC subsidiary, NT Biopharmaceuticals Jiangsu Co., Ltd (泰凌生物製藥江蘇有限公司) ("**NT Biopharmaceuticals**") was served by a writ of summons in 蘇州工業園區人民法院 by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the Statement of Claim, the bank is pursuing claims against NT Biopharmaceuticals for an immediate repayment of all outstanding loan principal and interest, in the sum of approximately RMB101,000,000, together with the default interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation. NT Biopharmaceuticals will continue to negotiate with the bank to restructure the due bank loan, together with the default interest, with extension of maturity and revised repayment schedule.

As at the close of business on 30 June 2022, being the latest practicable date for the preparation of the indebtedness statement in this circular, save as disclosed above, the Group did not have any contingent liabilities.

Save as disclosed above, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), any other borrowings, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 30 June 2022.

## III. WORKING CAPITAL

As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB628,270,000 and RMB211,375,000, respectively. The Group's total bank and other borrowings amounted to approximately RMB830,115,000, of which approximately RMB616,825,000 will be due for repayment within next twelve months from 31 December 2021; while its unrestricted cash and cash equivalents amounted to approximately RMB9,443,000 only as at 31 December 2021. As at 31 December 2021, the bank and other borrowings of the Group in aggregate of approximately RMB224,412,000 were overdue and have become immediately repayable. The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available banking and other facilities of the Group, the Group will not have sufficient working capital for at least twelve months from the date of this circular.

However, if the following events are materialised, the Group's liquidity and financial position will be improved and the Group will have sufficient working capital for at least twelve months from the date of this circular:

(i) The Group has been actively negotiating with a number of banks and other financial institutions for renewal and extension of bank and other borrowings. Specially, the Group is currently in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

(ii) The Group has accelerated its disposal plan of its properties, plant and equipment and leasehold land to reduce its debts. Subsequent to 31 December 2021 and up to the date of this circular, the Group is in advanced stage of discussion with an independent third party in relation to entering into a disposal agreement, pursuant to which the Group shall conditionally agree to dispose of certain of the Group's property, plant and equipment and leasehold land. The Group and the independent third party are currently finalising the term of disposal agreement;

(iii) On 29 April 2022, the Group has entered into a framework agreement with the municipal government in the PRC, as a strategic investor, to set up a joint venture company specialised in pharmaceutical research and development. Pursuant to the framework agreement, the municipal government intends to provide funds of approximately RMB200 million for the establishment of plants and facilities to be used by the joint venture company and RMB300 million to subscribe not more than 15% equity interest in the joint venture company with exist period of three years;

(iv) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and containment of capital expenditures; and

(v) The Group is actively negotiating with external parties to obtain new sources of financing or strategic capital investments to finance the Group's working capital and improve the liquidity position.

## IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest audited financial statements of the Group were made up.

## V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group 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, oncology and haematology. The Group owns National Class 1 drugs and a number of generic drugs. The Group conducts its drug manufacturing through its subsidiaries. The Group owns several sales and distribution and research and development specialists. It also has an extensive sales network in the PRC.

Despite signs of a gradual recovery following the easing of lockdown restrictions imposed to contain the outbreak of COVID-19 epidemic, widespread uncertainty about the second wave of infection and diplomatic disagreements between China and the United States have clouded the outlook on global economy. In the face of the global economic slowdown and domestic headwinds, the Chinese government has introduced strong fiscal and monetary policies to support businesses, stimulate domestic demand and maintain employment in order to tide over the difficult times.

The management will continue to strive to adopt flexible strategies to respond to market changes and remain vigilant in controlling operating costs in order to enhance operational efficiency and improve the Group's financial flexibility. Specifically, the Group will strengthen the operational efficiency in proprietary products and target at developing the new scope of products and services in the future.

The Licensing & Collaboration Agreement will also facilitate the fulfilment of the requirement on the Company to actively promote and introduce innovative drugs under the Framework Agreement, which is a part of the Group's plan in restructuring its business.

Upon the Licensing Completion, the Company will achieve a key milestone with the successful acquisition of the Commercialisation Rights which increases its market potential. It is believed that as a result, the competitiveness of the Company will be further enhanced and the Group's performance will be improved significantly.

As mentioned in the Announcement, (i) on 29 April 2022, the Company and the Municipal Government entered into the Framework Agreement, pursuant to which, among others, the parties shall set up the JV Co, an integrated biotechnology and pharmaceutical company specialised in research and development, production, sales and services, which is expected to be a subsidiary of the Company, subject to the terms and conditions of a definitive joint venture agreement; and (ii) the Company is in advanced stage of discussion with the Potential Purchaser in relation to entering into of the Disposal Agreement, pursuant to which Suzhou First, an indirect wholly-owned subsidiary of the Company, shall conditionally agree to sell and the Potential Purchaser shall conditionally agree to purchase certain tangible and intangible assets of Suzhou First.

As at the Latest Practicable Date, the parties are finalising the detailed terms of the joint venture agreement and the Disposal Agreement and no definitive agreement(s) have been entered into by the Group regarding the set up of the JV and the Potential Disposal. Should set up of the JV and the Potential Disposal materialise, they may constitute notifiable transactions under Chapter 14 of the Listing Rules. The Company will make further announcements in relation to set up of the JV and the Potential Disposal in compliance with the Listing Rules, together with the details of the Framework Agreement, as and when appropriate.

Save as disclosed in the Announcement and this circular, as at the Latest Practicable Date, the Company has not entered into any agreements, arrangements, understandings, or has any intentions or in negotiations in relation to any disposal, termination or scaling down of the Company's existing business.

Set out below is the management discussion and analysis of the results of the Group for the three years ended 31 December 2021.

## I. FOR THE YEAR ENDED 31 DECEMBER 2021

### BUSINESS REVIEW

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group's results. The Group's business is currently composed of one major operating segment, i.e. manufacturing and sales of proprietary products.

The Group's proprietary products include Shusi, Zhuo'ao and other drugs. For the year ended 31 December 2021, the total revenue from manufacturing and sales of proprietary products increased by RMB5 million or 2.3% to RMB226.7 million, as compared with RMB221.7 million for the corresponding period in 2020. Revenue of Shusi increased by RMB8.6 million or 4.7% to RMB190.4 million for the year ended 31 December 2021, as compared with RMB181.8 million for the corresponding period in 2020. The increase in sales of Shusi was attributable to increase in the sale volume of Shusi during the year ended 31 December 2021. Revenue of Zhuo'ao decreased by RMB6.0 million or 26.8% to RMB16.4 million for the year ended 31 December 2021, as compared with RMB22.4 million for the corresponding period in 2020. The decrease in sales amount of Zhuo'ao was mainly due to the price adjustment and the decrease in sale volume of Zhuo'ao during the year ended 31 December 2021.

### Segment Information

***Revenue***

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | 2020 | | | |
| | Sales volume | Average unit price | Sales amount | Proportion | Sales volume | Average unit price | Sales amount | Proportion |
| | *'000* | *RMB* | *RMB'000* | *(%)* | *'000* | *RMB* | *RMB'000* | *(%)* |
| **Proprietary products production and sales** | | | | | | | | |
| Shusi | 7,507 | 25.4 | 190,431 | 84.0% | 6,393 | 28.4 | 181,832 | 82.0% |
| Zhuo'ao | 8,517 | 1.9 | 16,388 | 7.2% | 10,266 | 2.2 | 22,373 | 10.1% |
| Others | 9,645 | 2.1 | 19,880 | 8.8% | 11,528 | 1.5 | 17,526 | 7.9% |
| **Total** | | | 226,699 | 100% | | | 221,731 | 100% |

Revenue from manufacturing and sales of proprietary products increased by RMB5.0 million to RMB226.7 million, accounting for 100% of the total revenue in the year ended 31 December 2021, as compared with RMB221.7 million or 100% of the Group's revenue in the corresponding period in 2020. The increase in revenue from manufacturing and sales of proprietary products was due to increase in sale volume of Shusi during the year ended 31 December 2021.

***Cost of Sales***

For the year ended 31 December 2021, cost of sales decreased by RMB5.6 million to RMB81.2 million, as compared with RMB86.8 million for the corresponding period in 2020.

***Gross Profit***

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| **Products** | **Gross Profit** *RMB'000* | **Gross Profit Margin** *(%)* | **Gross Profit** *RMB'000* | **Gross Profit Margin** *(%)* |
| **Proprietary products production and sales** | | | | |
| Shusi | 135,686 | 71.3% | 125,957 | 69.3% |
| Zhuo'ao | 8,105 | 49.5% | 13,509 | 60.4% |
| Others | 1,668 | 8.4% | (4,562) | (26.0)% |
| **Total** | 145,459 | 64.2% | 134,904 | 60.8% |

Gross profit increased by RMB10.6 million to RMB145.5 million for the year ended 31 December 2021, as compared with RMB134.9 million in the corresponding period in 2020. Gross profit margin increased by 3.4 percentage points to 64.2% for the year ended 31 December 2021, as compared with 60.8% for the corresponding period in 2020. The increase in gross profit margin was mainly due to the increase in sales contribution of products with higher gross profit margin such as Shusi as a result of the change in sales model and business partner which resulted in an increase of revenue of the relevant products with higher gross profit.

***Reportable Segments Operating Loss***

The operating expenses of the Group increased by RMB105.0 million or 65.5% to RMB265.3 million for the year ended 31 December 2021, as compared with RMB160.3 million for the corresponding period in 2020. The Group reported an operating loss of RMB119.8 million for the year ended 31 December 2021, as compared with an operating loss of RMB25.4 million for the corresponding period in 2020. The following table sets forth a breakdown of the Group's adjusted earnings before interest, tax, depreciation and amortization by reportable segments for the year ended 31 December 2021:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Proprietary products production and sales | (57,815) | (25.5) | 45,113 | 20.3 |
| Total | (57,815) | (25.5) | 45,113 | 20.3 |

## LIQUIDITY AND FINANCIAL RESOURCES

### Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

### Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange gain of RMB6.7 million for the year ended 31 December 2021, while the net exchange gain of the Group for the corresponding period in 2020 was RMB16.1 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

**Interest Rate Exposure**

The Group's interest rate risk arises primarily from bank loans, other borrowings and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Currently, the Group does not employ any financial instruments to hedge against interest rate risk.

**Group Debt and Liquidity**

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| Total debt | (832,110) | (910,626) |
| Time deposits, pledged bank deposits, cash and cash equivalents | 9,443 | 33,214 |
| Net debt | (822,667) | (877,412) |

The maturity profile of the Group's borrowings is set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| Repayable: | | |
| – Within one year | 616,825 | 796,248 |
| – After one but within two years | 213,290 | 16,024 |
| – After two but within five years | – | 29,611 |
| | 830,115 | 841,883 |

The Group's bank borrowings as at 31 December 2021 were approximately RMB369.4 million (31 December 2020: RMB464.9 million), out of which RMB369.4 million (31 December 2020: RMB464.9 million) were bank borrowings from banks in the PRC with fixed interest rates ranged from 4.35% to 6.52% (2020: 4.3% to 6.75%) per annum.

Save as disclosed above, as at 31 December 2021, the Group had other borrowings of RMB460.7 million (2020: RMB377.0 million).

**Debt-to-Assets Ratio**

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| Total debt | 832,110 | 910,626 |
| Total assets | 955,360 | 1,295,069 |
| Debt-to-assets ratio | 87.1% | 70.3% |

**Charges on the Group's Assets**

As at 31 December 2021, none of the Group's bank deposits (31 December 2020: RMB25.5 million) were pledged to the banks to secure certain bank loans and bills payable. As at 31 December 2021, certain banking facilities of the Group were secured by the Group's intellectual property rights, fixed assets and trade receivables, which amounted to RMB252.1 million (31 December 2020: RMB528.8 million).

**Capital Expenditure**

Total capital expenditure spent for the year ended 31 December 2021 decreased by RMB3.1 million or 83.8% to RMB0.6 million, as compared with RMB3.7 million for the corresponding period in 2020, which was mainly used for acquiring property, plant and equipment in Suzhou.

**Capital Commitments**

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| Contracted but not provided for | | |
| – investment in associates | 20,000 | 380,000 |

As at 31 December 2021, the Group had no future minimum lease payments under non-cancellable operating leases payable as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | *RMB'000* | *RMB'000* |
| Within one year | – | 510 |

The Group is the lessee of a number of properties under operating leases. None of the leases includes contingent rentals.

**Significant Investments Held**

Except for investments in its subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2021.

**Material Acquisition and Disposal**

(a) On 11 November 2020, NT Pharma (Group) Co., Ltd. ("**NT Group**", a direct wholly-owned subsidiary of the Company) and Fortune Blaze Investments Limited ("**Fortune Blaze**", an independent third party to the Company) entered into a sale and purchase the entire issued share capital of The Mountains Limited, which holds 100% equity interest in NT Pharma (China) Co., Ltd. ("**NT Pharma (China)**"), at the estimated consideration of RMB126,847,000 minus the audited net assets value of NT Pharma (China) at the completion date. The disposal transaction was completed on 2 June 2021 and The Mountains Limited and NT Pharma (China) ceased to be subsidiaries of the Company.

(b) On 21 April 2020, the Group and Beijing Konruns Pharmaceutical Co., Limited ("**Beijing Konruns**") entered into an agreement, pursuant to which, the Group has conditionally agreed to subscribe for 40% equity interest in Beijing Kangchen (a wholly-owned subsidiary of Beijing Konruns and holding 100% equity interest of NT Pharma International Company Limited since 3 September 2020) at a consideration of RMB360,000,000. The transaction was completed on 23 April 2021. On 21 October 2021, the Group and Beijing Konruns entered into share transfer agreement, pursuant to which, the Group transferred 13.7% equity interest in Beijing Kangchen to Beijing Konruns at a consideration of RMB127,409,000. The transaction was completed on 4 November 2021. As at 31 December 2021, the Group holds 26.3% equity interest of Beijing Kangchen. The Group can exercise significant influence over its operating and financial activities, accordingly, it is regarded as an associate.

Save as disclosed above, during the year ended 31 December 2021, the Group did not have any other material acquisition or disposal.

**Future Plans for Material Investments and Capital Assets**

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2021.

**Contingent Liabilities**

As at 31 December 2021, the Group had no material contingent liabilities.

**HUMAN RESOURCES**

As at 31 December 2021, the Group had 212 full-time employees (31 December 2020: 224 full-time employees). For the year ended 31 December 2021, the Group's total cost on remuneration, welfare and social security amounted to RMB32.2 million (31 December 2020: RMB55.6 million).

The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards.

On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme (the "**Share Option Scheme**") adopted by the Company on 22 September 2014, and a share award scheme (the "**Share Award Scheme**") adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group, respectively.

The Group focuses on employees' training through series of training and learning activities by nurturing talents who are of high quality and capability in order to maintain its competitiveness in this fast-growing business. To achieve the goal of being a continuous learning enterprise, the Group provides related knowledge and skills training for all employees to meet the requirements of their job functions and ensure they can efficiently

operate in different departments. The Group is devoted to providing employees with multi-faceted training activities which involved both internal and external training, while advancing employees' techniques and promoting their career development.

## II. FOR THE YEAR ENDED 31 DECEMBER 2020

### BUSINESS REVIEW

Challenging economic conditions and the accelerated implementation of regulatory changes have further intensified competition in all aspects of the pharmaceutical industry, putting tremendous pressure on the Group's results. For the year ended 31 December 2020, the revenue of the Group was RMB221.7 million, representing an increase of 44.4% as compared to RMB153.5 million recorded for the corresponding period in 2019. The increase was mainly attributable to: (i) the change in industry policies, change in sales model and price; (ii) the sales hindered by the outbreak of COVID-19 epidemic; and (iii) a change in sales volume of Songzhi Wan due to the lack of ability to intensify the marketing efforts under the context of tight resources.

#### Area of CNS

Shusi (generic name: quetiapine fumarate tablets) is the Group's major product in the area of central nervous system ("**CNS**"). It is the first proprietary product which is researched and developed, manufactured and sold by the Group. Shusi is mainly used for the treatment of schizophrenia and maniacal is insult us as a result of bipolar affective disorder, which is an atypical antipsychotic first-tier drug. Shusi has been in the market for more than 15 years since its debut in 2003. It has developed a strong brand image which is widely recognised by clinical practitioners and the market. During the year ended 31 December 2020, the Group has completed all the tasks involving consistency evaluations in pharmaceutical development, production transfers and clinical bioequivalence. On 2 January 2020, the Group received a certification of consistency evaluation for the generic drug quetiapine fumarate tablets (Shusi) from the National Medical Products Administration. The completion of the consistency evaluation does not only represent the recognition of Shusi's drug quality and therapeutic effect, but also facilitates the acceptance of Shusi in the field of clinical psychiatry, posing a positive effect on expanding the market share of quetiapine.

#### Area of Oncology and Hematology

The Group's main product in the area of oncology and hematology is Xi Di Ke (generic name: uroacitides injection). Xi Di Ke, a national class 1 new drug, has been approved by the National Medical Products Administration (國家藥品監督管理局) for the treatment of non-small cell lung cancer and terminal breast cancer. The product has successfully been admitted into the Medical Insurance Reimbursement Drug List of four provinces, including Jiangsu, Anhui, Hubei and Hunan. During the year ended 31 December

2020, the Group pushed forward the work of clinical trials on Xi Di Ke in new Myelodysplastic Syndrome (the "**MDS**") indications, which is in clinical trial phase II. Due to the high pressure on liquidity, the Group was unable to put a lot of resources in marketing promotions and medical forums, and as such the product did not generated a new source of revenue for the Group during the year ended 31 December 2020.

**Segmental Information**

***Revenue***

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2019 | | | |
| | Sales volume | Unit price | Sales amount | Proportion | Sales volume | Unit price | Sales amount | Proportion |
| | *'000* | *RMB* | *RMB'000* | *(%)* | *'000* | *RMB* | *RMB'000* | *(%)* |
| **Proprietary products production and sales** | | | | | | | | |
| Shusi | 6,393 | 28.4 | 181,832 | 82.0% | 3,692 | 28.7 | 106,133 | 69.2% |
| Zhuo'ao | 10,266 | 2.2 | 22,373 | 10.1% | 12,203 | 2.1 | 25,339 | 16.5% |
| Others | 11,528 | 1.5 | 17,526 | 7.9% | 15,347 | 1.4 | 21,996 | 14.3% |
| **Total** | | | 221,731 | 100% | | | 153,468 | 100.0% |

Revenue from manufacturing and sales of proprietary products increased by RMB68.2 million to RMB221.7 million, accounting for 100% of the total revenue in the year ended 31 December 2020, as compared with RMB153.5 million or 100% of the Group's revenue in the corresponding period in 2019. The increase in revenue from manufacturing and sales of proprietary products was due to the unit price adjustment of propriety products including Shusi and Zhuo'ao after the shift of sales model to Suzhou First being responsible for sales during the year ended 31 December 2020.

***Cost of Sales***

For the year ended 31 December 2020, cost of sales increased by RMB23.6 million to RMB86.8 million, as compared with RMB63.2 million for the corresponding period in 2019. The increase in cost of sales was mainly due to the corresponding increase in revenue of sales of Shusi during the year ended 31 December 2020.

*Gross Profit*

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **Products** | **Gross Profit** *RMB'000* | **Gross Profit Margin** *(%)* | **Gross Profit** *RMB'000* | **Gross Profit Margin** *(%)* |
| **Proprietary products production and sales** | | | | |
| Shusi | 125,957 | 69.3% | 78,377 | 73.8% |
| Zhuo'ao | 13,509 | 60.7% | 14,494 | 57.2% |
| Others | (4,562) | (26.5)% | (2,614) | (11.9)% |
| Total | 134,904 | 60.8% | 90,257 | 58.8% |

Gross profit increased by RMB44.6 million to RMB134.9 million for the year ended 31 December 2020, as compared with RMB90.3 million in the corresponding period in 2019. Gross profit margin increased by 2 percentage points to 60.8% for the year ended 31 December 2020, as compared with 58.8% for the corresponding period in 2019. The increase in gross profit margin was mainly due to the increase in sales contribution of products with higher gross profit margin such as Shusi as a result of the change in sales model, price adjustment and change in business partner which resulted in an increase of revenue of the relevant products with higher gross profit.

***Reportable Segments Operating Loss***

The operating expenses of the Group decreased by RMB96.7 million or 37.6% to RMB160.3 million for the year ended 31 December 2020, as compared with RMB257.0 million for the corresponding period in 2019. The Group reported an operating loss of RMB25.4 million for the year ended 31 December 2020, as compared with an operating loss of RMB166.7 million for the corresponding period in 2019. The following table sets forth a breakdown of the Group's operating loss by reportable segments for the year ended 31 December 2020:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Proprietary products production and sales | 45,113 | 20.3 | 17,896 | 11.7 |
| **Total** | 45,113 | 20.3 | 17,896 | 11.7 |

**HUMAN RESOURCES**

As at 31 December 2020, the Group had 224 full-time employees (31 December 2019: 384 full-time employees). For the year ended 31 December 2020, the Group's total cost on remuneration, welfare and social security amounted to RMB55.6 million (31 December 2019: RMB102.0 million).

The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards.

On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme (the "**Share Option Scheme**") adopted by the Company on 22 September 2014, and a share award scheme (the "**Share Award Scheme**") adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group, respectively.

The Group focuses on employees' training through series of training and learning activities by nurturing talents who are of high quality and capability in order to maintain its competitiveness in this fast-growing business. To achieve the goal of being a continuous learning enterprise, the Group provides related knowledge and skills training for all employees to meet the requirements of their job functions and ensure they can efficiently operate in different departments. The Group is devoted to providing employees with multi-faceted training activities which involved both internal and external training, while advancing employees' techniques and promoting their career development.

## LIQUIDITY AND FINANCIAL RESOURCES

### Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

### Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange gain of RMB16.1 million for the year ended 31 December 2020, while the net exchange loss of the Group for the corresponding period in 2019 was RMB1.5 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

**Interest Rate Exposure**

The Group's interest rate risk arises primarily from bank loans, unsecured debenture and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Currently, the Group does not employ any financial instruments to hedge against interest rate risk.

**Group Debt and Liquidity**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| | *RMB'000* | *RMB'000* |
| Total debt | (910,626) | (1,475,667) |
| Time deposits, pledged bank deposits, cash and cash equivalents | 33,214 | 112,988 |
| Net debt | (877,412) | (1,362,679) |

The maturity profile of the Group's borrowings is set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| | *RMB'000* | *RMB'000* |
| Repayable: | | |
| – Within one year | 796,248 | 791,675 |
| – After one but within two years | 16,024 | 171,073 |
| – After two but within five years | 29,611 | 59,706 |
| | 841,883 | 1,022,454 |

The Group's bank borrowings as at 31 December 2020 were approximately RMB464.9 million (31 December 2019: RMB791.5 million), out of which RMB464.9 million were bank borrowings from banks in the PRC (31 December 2019: RMB598.1 million) with fixed interest rates ranging from 4.3% to 6.75% per annum.

As at 31 December 2020, the Group's bank borrowings from banks in Hong Kong were approximately RMB nil million (31 December 2019: approximately RMB193.4 million). Save as disclosed above, as at 31 December 2020, the Group had other borrowings of RMB355.3 million (2019: RMB231.0 million).

**Debt-to-Assets Ratio**

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| | *RMB'000* | *RMB'000* |
| Total debt | 910,626 | 1,475,667 |
| Total assets | 1,295,069 | 1,798,274 |
| Debt-to-assets ratio | 70.3% | 82.1% |

**Charges on the Group's Asset**

As at 31 December 2020, the Group's bank deposits of RMB25.5 million (31 December 2019: RMB40.0 million) were pledged to the banks to secure certain bank loans and bills payable. As at 31 December 2020, certain banking facilities of the Group were secured by the Group's intellectual property rights, fixed assets and trade receivables, which amounted to RMB528.8 million (31 December 2019: RMB271.1 million).

**Capital Expenditure**

Total capital expenditure spent for the year ended 31 December 2020 decreased by RMB83.5 million or 95.7% to RMB3.7 million, as compared with RMB87.2 million for the corresponding period in 2019, which was mainly used for acquiring property, plant and equipment in Suzhou.

In previous years, the Group's leasehold land and buildings were carried in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses. The directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the revaluation model under HKAS 16, the consolidated financial statements would provide more appropriate and relevant information about the Group's results and financial position. The related financial impact was discussed in the Group's consolidated financial statements note 15(b).

**Capital Commitments**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| | *RMB'000* | *RMB'000* |
| Contracted but not provided for | | |
| – investment in associates (2019: associate) *(note)* | 380,000 | 20,000 |
| – intangible assets: Teriparatide | – | 156,965 |
| | 380,000 | 176,965 |

*Note:* Details of the Group's commitments at 31 December 2020 are disclosed in Note (39) to the consolidated financial statements.

As at 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| | *RMB'000* | *RMB'000* |
| Within one year | 510 | 2,877 |
| After one year but within five years | – | – |
| | 510 | 2,877 |

The Group is the lessee of a number of properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

**Significant Investments Held**

Except for investments in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2020.

**Material Acquisition and Disposal**

On 21 April 2020, the Company and Beijing Kangchen Biological Technology Co., Ltd. ("**Beijing Kangchen**", an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, the Company agreed to sell and Beijing Kangchen agreed to purchase the exclusive distribution right of Pfenex and the entire issued share capital of NT Pharma International Company Limited ("**NT International**", a wholly-owned subsidiary of the Company), which was principally engaged in selling and marketing Miacalcic branded products and sub-licensing of intellectual property rights and distribution rights of Miacalcic Injection and Miacalcic Nasal Spray under the reportable segment of Miacalcic. The disposal was effected in order to generate immediate cash flows for the reallocation of the financial resources on any suitable investment opportunities and the repayment of bank and other borrowings as well as the settlement of the redemption of the outstanding redeemable convertible preference shares when they fall due. The disposal transaction was completed on 3 September 2020 and NT International ceased to be a subsidiary of the Company.

On 11 November 2020, NT Pharma (Group) Co., Ltd. ("**NT Group**", a direct wholly-owned subsidiary of the Company) and Fortune Blaze Investments Limited ("**Fortune Blaze**", an independent third party to the Company) entered into a sale and purchase agreement, pursuant to which, NT Group has agreed to sell and Fortune Blaze has agreed to purchase the entire issued share capital of The Mountains Limited, which holds 100% equity interest in NT Pharma (China) Co., Ltd. ("**NT Pharma (China)**"), at the estimated consideration of RMB126,847,000 minus the audited net assets value of NT Pharma (China) at the completion date.

Save as disclosed above, during the year ended 31 December 2020, the Group did not have any other material acquisition or disposal.

**Future Plans for Material Investments and Capital Assets**

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2020.

**Contingent Liabilities**

As at 31 December 2020, the Group had no material contingent liabilities.

## III. FOR THE YEAR ENDED 31 DECEMBER 2019

### FINANCIAL RESULTS

The overall revenue of the Group from continuing operations for the year ended 31 December 2019 decreased by approximately RMB205.5 million to approximately RMB366.0 million, as compared with approximately RMB571.5 million for the year ended 31 December 2018. Operating loss from continuing operations for the year ended 31 December 2019 decreased by approximately RMB1.8 million to approximately RMB479.1 million, as compared with an operating loss of approximately RMB480.9 million for the year ended 31 December 2018. The Group recorded a loss of approximately RMB593.2 million for the year ended 31 December 2019, as compared with a loss of approximately RMB963.8 million for the year ended 31 December 2018, representing a decrease of approximately 38.5% on a year-on-year basis.

### BUSINESS REVIEW

In 2019, the global economic growth decelerated due to the factors including the China-US trade friction and increasing debt levels. Under an external environment which was extremely complicated, the General Office of the State Council issued the "Key Tasks in 2019 to Deepen the Reform of Medical and Health System"* (深化醫藥衛生體制改革2019重點工作任務), which included 15 policy documents and 21 work arrangements. The policies and tasks in respect of the pharmaceutical industry included the promotion of centralised drug procurement and pilot test locations coordinated by the government. For drugs that are clinically indispensable, shortage-prone or difficult to substitute, measures such as the strengthening of reserve, centralized procurement and targeted production were adopted to secure the supply of drugs. Also, improvements were made to the Medical Insurance Drugs Catalogs* (醫保藥品目錄). In particular, the centralized procurement system of drugs in the "4+7" major cities were further implemented across the nation under the leadership of the National Healthcare Security Administration. While pharmaceutical companies were facing the pressure of price reduction, the pharmaceutical industry became further concentrated, resulting in a more severe and challenging business environment for the small and medium-sized generic drug companies.

Under this tough and adverse business environment, the Group encountered multiple challenges including shortage of resources and high cost of sales. Due to the higher debt level of the Group as a result of previous acquisitions and business expansion, its financial cost continued to increase, which further increased the pressure on its liquidity. In addition, the Group implemented measures to optimise our product mix during the year ended 31 December 2019 by focusing on the areas of CNS and Orthopedics as the core and promoting the sales of Shusi and Miacalcic in all aspects.

The revenue of the Group was approximately RMB366.0 million, representing a decrease of approximately 36.0% as compared to approximately RMB571.5 million recorded for the year ended 31 December 2018. The decrease was mainly attributable to (i) the change in industry policies, change in sales model and decrease in price; (ii) the negative impact brought to the imported product business due to a change of business partners; and (iii) a decline in sales volume of Xi Di Ke (generic name: uroacitides injection) and Songzhi Wan due to the lack of ability to intensify the marketing efforts under the context of tight resources.

**Area of CNS**

Shusi (generic name: quetiapine fumarate tablets) is the Group's major product in the area of CNS. It is the first proprietary product which is developed, manufactured and sold by the Group. Shusi is mainly used for the treatment of schizophrenia and maniacalis insultus as a result of bipolar affective disorder, which is an atypical antipsychotic first-tier drug. Shusi has been in the market for more than 15 years since its debut in 2003. It has developed a strong brand image which is widely recognized by clinical practitioners and the market.

During the year ended 31 December 2019, the Group has completed all the tasks involving consistency evaluations in pharmaceutical development, production transfers and clinical bioequivalence. On 2 January 2020, the Group received a certification of consistency evaluation for the generic drug quetiapine fumarate tablets (Shusi) from the National Medical Products Administration* (國家藥品監督管理局). The completion of the consistency evaluation does not only represent the recognition of Shusi's drug quality and therapeutic effect, but also facilitates the acceptance of Shusi in the field of clinical psychiatry, posing a positive effect on expanding the market share of quetiapine.

**Area of Orthopedics**

The Group's products in the area of orthopedics consist of Miacalcic (generic name: salmon calcitonin) and teriparatide products.

The two orthopedics formulations, injection and nasal spray, of Miacalcic were acquired by the Group from Novartis. As an internationally well-known orthopedic brand, Miacalcic has been used for clinical purposes for more than 30 years, mainly in the treatment for bone pain resulted from osteolysis and low bone mass, osteoporosis, Paget's disease, hypercalcemia and algoneurodystrophy. During the year ended 31 December 2019, Miacalcic has achieved stable sales performance in 32 provinces and 36 first-tier cities across the nation, as well as 12 overseas countries, laying a solid foundation for the Group's orthopedics business and strategic development focusing on orthopedics.

Teriparatide is an orthopedic product that was jointly developed by the Group and Pfenex Inc. a U.S. biotechnology company, pursuant to a cooperation agreement in April 2018. The Group has a perpetual right to commercialize this product in the PRC, Hong Kong, Thailand, Malaysia and Singapore. Teriparatide, being the only orthopedic product approved by the U.S. Food and Drug Administration ("**FDA**") for the treatment of osteoporosis, can be used to effectively stimulate bone formation, increase bone mass and improve bone quality. The Group believes that, teriparatide products and Miacalcic can create huge complementary advantage in their market deployment, improve the orthopedists' loyalty to the Group's orthopedic products, and at the same time satisfy various needs of patients for the treatment of bone diseases and osteoporosis. Teriparatide, approved by the FDA as a new drug under the 505(b)2 application in October 2019, is suitable for the treatment of osteoporosis of high-risk patients with bone fracture. The Group's partner also completed a comparative study of human factors on the teriparatide products, indicating that teriparatide products were non-inferior to the reference drugs. The study has been submitted to the FDA and it is expected that Teriparatide will obtain the grade "A" certification and become an alternative for similar drugs in many states of the USA.

**Area of Oncology and Hematology**

The Group's main product in the area of oncology and hematology is Xi Di Ke (generic name: uroacitides injection).

Xi Di Ke, a national class 1 new drug, has been approved by the National Medical Products Administration (國家藥品監督管理局) for the treatment of non-small cell lung cancer and terminal breast cancer. The product has successfully been admitted into the Medical Insurance Reimbursement Drug List of four provinces, including Jiangsu, Anhui, Hubei and Hunan. During the year ended 31 December 2019, the Group pushed forward the work of clinical trials on Xi Di Ke in new MDS indications. Due to the high pressure on liquidity, the Group was unable to put a lot of resources in marketing promotions and medical forums, and as such the product did not generate a new source of revenue for the Group during the year ended 31 December 2019.

## Segmental Information

### *Revenue*

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | Sales volume | Unit price | Sales amount | Proportion | Sales volume | Unit price | Sales amount | Proportion |
| | *'000* | *RMB* | *RMB'000* | *(%)* | *'000* | *RMB* | *RMB'000* | *(%)* |
| **Proprietary products production and sales** | | | | | | | | |
| Shusi | 3,692 | 28.7 | 106,133 | 29.0% | 5,314 | 30.5 | 161,921 | 28.3% |
| Xi Di Ke | 1 | 1,067.0 | 1,067 | 0.3% | 165 | 457.6 | 75,710 | 13.2% |
| Zhuo'ao | 12,203 | 2.1 | 25,339 | 6.9% | 16,828 | 2.2 | 36,502 | 6.4% |
| Songzhi Wan | – | – | – | – | 73 | 136.4 | 9,957 | 1.7% |
| Others | 15,346 | 1.4 | 20,929 | 5.7% | 15,625 | 1.5 | 23,576 | 4.2% |
| Subtotal | | | 153,468 | 41.9% | | | 307,666 | 53.8% |
| **Miacalcic** | | | | | | | | |
| Miacalcic Injection | 1,139 | 168.2 | 191,628 | 52.4% | 1,288 | 167.1 | 215,270 | 37.7% |
| Brand licensing fee income of Miacalcic Injection | 110 | 24.8 | 2,733 | 0.7% | 156 | 36.6 | 5,705 | 1.0% |
| Miacalcic Nasal Spray | 28 | 190.9 | 5,347 | 1.5% | 16 | 218.9 | 3,503 | 0.6% |
| Brand licensing fee income of Miacalcic Nasal Spray | 86 | 149.2 | 12,793 | 3.5% | 233 | 169.0 | 39,377 | 6.9% |
| Subtotal | | | 212,501 | 58.1% | | | 263,855 | 46.2% |
| Total | | | 365,969 | 100.0% | | | 571,521 | 100.0% |

The revenue from manufacturing and sales of proprietary products of the Group decreased by approximately RMB154.2 million to approximately RMB153.5 million, accounting for approximately 41.9% of the total revenue for the year ended 31 December 2019, as compared with approximately RMB307.7 million or approximately 53.8% of the Group's revenue in the corresponding period in 2018. The decrease in revenue from manufacturing and sales of proprietary products was due to the negative impact brought by the unit price adjustment of propriety products including Shusi and Zhuo'ao after the shift of sales model to Suzhou First being responsible for sales during the year ended 31 December 2019.

The Company completed the acquisition of Miacalcic Nasal Spray in October 2018, after the completion of the acquisition and settlement in respect of Miacalcic Injection in July 2016. 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.

***Cost of Sales***

For the year ended 31 December 2019, cost of sales decreased by approximately RMB44.4 million to approximately RMB105.1 million, as compared with approximately RMB149.5 million for the corresponding period in 2018. The decrease in cost of sales was mainly due to the corresponding decrease in revenue of sales of Shusi and Miacalcic during the year ended 31 December 2019.

*Gross Profit*

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2019 | 2019 Gross Profit Margin | 2018 | 2018 Gross Profit Margin |
| **Products** | Gross Profit *RMB'000* | *(%)* | Gross Profit *RMB'000* | *(%)* |
| **Proprietary products production and sales** | | | | |
| Shusi | 78,377 | 73.8% | 110,947 | 68.5% |
| Xi Di Ke | 966 | 90.5% | 63,484 | 83.9% |
| Zhuo'ao | 14,494 | 57.2% | 23,751 | 65.1% |
| Songzhi Wan | – | – | 5,084 | 51.1% |
| Others | (3,580) | (17.1)% | (4,419) | (18.8)% |
| Subtotal | 90,257 | 58.8% | 198,847 | 64.6% |
| **Miacalcic** | | | | |
| Miacalcic Injection | 152,505 | 79.6% | 175,247 | 81.4% |
| Brand licensing fee income of Miacalcic Injection | 2,733 | 100.0% | 5,705 | 100.0% |
| Miacalcic Nasal Spray | 2,595 | 48.5% | 2,826 | 80.7% |
| Brand licensing fee income of Miacalcic Nasal Spray | 12,793 | 100.0% | 39,377 | 100.0% |
| Subtotal | 170,626 | 80.3% | 223,155 | 84.6% |
| Total | 260,883 | 71.3% | 422,002 | 73.8% |

The gross profit of the Group decreased by approximately RMB161.1 million to approximately RMB260.9 million for the year ended 31 December 2019, as compared with approximately RMB422.0 million in the corresponding period in 2018. Gross profit margin decreased by 2.5 percentage points to approximately 71.3% for the year ended 31 December 2019, as compared with approximately 73.8% for the corresponding period in 2018. The decrease in gross profit margin was mainly due to the decrease in average selling prices and sales contribution of products with higher gross profit margin such as Shusi and Miacalcic as a result of the change in sales model, price adjustment and change in business partner which resulted in a decrease of revenue of the relevant products with higher gross profit.

**Reportable Segments**

***Operating Profit***

The operating expenses of the Group decreased by approximately RMB172.0 million or 20.0% to approximately RMB687.6 million for the year ended 31 December 2019, as compared with approximately RMB859.6 million for the corresponding period in 2018. The Group reported an operating loss of approximately RMB426.8 million for the year ended 31 December 2019, as compared with an operating loss of approximately RMB437.6 million for the corresponding period in 2018. The following table sets forth a breakdown of the Group's operating profit by reportable segments for the year ended 31 December 2019:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | **2019** | **2018** | **2018** |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Proprietary products production and sales | 17,896 | 11.7% | 27,118 | 8.81% |
| Miacalcic | 60,041 | 28.3% | 105,578 | 40.01% |
| Total | 77,937 | 21.3% | 132,696 | 23.22% |

**HUMAN RESOURCES**

As at 31 December 2019, the Group had 384 full-time employees (31 December 2018: 665 full-time employees). For the year ended 31 December 2019, the Group's total cost on remuneration, welfare and social security amounted to approximately RMB102.0 million (31 December 2018: approximately RMB171.4 million).

The remuneration structure of the Group is based on employee performance, local consumption levels and prevailing conditions in the human resources market. Directors' remunerations are determined with reference to individual Director's experience, responsibilities and prevailing market standards.

On top of basic salaries, bonuses may be paid according to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded according to their individual performances within the framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme (the "**Share Option Scheme**") adopted by the Company on 22 September 2014, and a share award scheme (the "**Share Award Scheme**") adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group, respectively.

The Group focuses on employees' training through series of training and learning activities by nurturing talents who are of high quality and capability in order to maintain its competitiveness in this fast-growing business. To achieve the goal of being a continuous learning enterprise, the Group provides related knowledge and skills training for all employees to meet the requirements of their job functions and ensure they can efficiently operate in different departments. The Group is devoted to providing employees with multi-faceted training activities which involved both internal and external training, while advancing employees' techniques and promoting their career development.

## LIQUIDITY AND FINANCIAL RESOURCES

### Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

### Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange loss of approximately RMB1.5 million for the year ended 31 December 2019, while the net exchange loss of the Group for the year ended 31 December 2018 was approximately RMB4.3 million. Currently, the Group does not employ any financial instruments to hedge against foreign exchange risk.

**Interest Rate Exposure**

The Group's interest rate risk arises primarily from bank loans, unsecured debenture and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Currently, the Group does not employ any financial instruments to hedge against interest rate risk.

**Group Debt and Liquidity**

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | *RMB'000* | *RMB'000* |
| Total debt | (1,475,667) | (1,411,632) |
| Time deposits, pledged bank deposits, cash and cash equivalents | 112,988 | 125,793 |
| Net debt | (1,362,679) | (1,285,839) |

The maturity profile of the Group's borrowings is set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | *RMB'000* | *RMB'000* |
| Repayable: | | |
| – Within one year | 791,675 | 775,786 |
| – After one but within two years | 171,073 | 95,070 |
| – After two but within five years | 59,706 | 139,694 |
| | 1,022,454 | 1,010,550 |

The Group's bank borrowings as at 31 December 2019 were approximately RMB791.5 million (31 December 2018: approximately RMB859.3 million), out of which, approximately RMB598.1 million were bank borrowings from banks in the PRC (31 December 2018: approximately RMB587.6 million) with fixed interest rates ranging from 4.3% to 6.3% per annum.

As at 31 December 2019, the Group's bank borrowings from banks in Hong Kong were approximately RMB193.4 million (31 December 2018: approximately RMB271.7 million). Save as disclosed above, as at 31 December 2019, the Group had other borrowings of approximately RMB231.0 million (2018: approximately RMB151.3 million).

**Debt-to-Assets Ratio**

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | *RMB'000* | *RMB'000* |
| Total debt | 1,475,667 | 1,411,632 |
| Total assets | 1,798,274 | 2,227,162 |
| Debt-to-assets ratio | 82.1% | 63.4% |

**Charges on the Group's Assets**

As at 31 December 2019, the Group's bank deposits of approximately RMB40.0 million (31 December 2018: approximately RMB38.0 million) were pledged to the banks to secure certain bank loans and bills payable. As at 31 December 2019, certain banking facilities of the Group were secured by the Group's fixed assets and trade receivables, which amounted to approximately RMB271.1 million (31 December 2018: approximately RMB277.3 million).

**Capital Expenditure**

Total capital expenditure spent for the year ended 31 December 2019 decreased by approximately RMB163.0 million or 65.1% to approximately RMB87.2 million, as compared with approximately RMB250.2 million for the corresponding period in 2018, which was mainly used for acquiring property, plant and equipment in Suzhou and intangible assets relating to the work of clinical trials on Xi Di Ke.

**Capital Commitments**

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | *RMB'000* | *RMB'000* |
| Contracted but not provided for | | |
| – property, plant and equipment | – | 190 |
| – investment in an associate | 20,000 | 20,000 |
| – intangible assets: Teriparatide | 156,965 | 154,422 |
| – intangible assets: computer software | – | 1,375 |
| | 176,965 | 175,987 |

As at 31 December 2019, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | *RMB'000* | *RMB'000* |
| Within one year | 2,877 | 11,917 |
| After one year but within five years | – | 5,281 |
| | 2,877 | 17,198 |

The Group is the lessee of a number of properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

**Significant Investments Held**

Except for investments in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2019.

**Material Acquisition and Disposal**

Reference is made to the announcement of the Company dated 10 July 2019 in relation to the conditional acquisition agreements dated 25 June 2019 entered into among, among others, the Company and WD Investment Co., Ltd and other parties (the "**Acquisition Agreements**") and the conditional subscription agreements entered into among, among others, the Company and Hong Kong WD Pharmaceutical Co., Limited (the "**Target Company**") and other parties (the "**Subscription Agreements**"), pursuant to which the Company will be interested in approximately 52.0% of the total issued share capital of the Target Company upon completion of the acquisition and subscription and the Target Company will become a non-wholly-owned subsidiary of the Company (the "**Proposed Transactions**"). On 19 November 2019, the Company and the relevant parties entered into a termination agreement to terminate the Acquisition Agreements with immediate effect. On the same day, the Company and the relevant parties entered into a termination agreement to terminate the Subscription Agreements with immediate effect. As a result of the above termination agreements, the Proposed Transactions will not proceed.

The Board considers that the termination of the Acquisition Agreements and the Subscription Agreements will not have any material adverse effect on the operation and financial position of the Group. Please also refer to the announcements of the Company dated 10 July 2019, 30 July 2019, 30 September 2019, 30 October 2019 and 19 November 2019 for further details.

Save as disclosed above, the Group did not have any other material acquisition or disposal for the year ended 31 December 2019.

**Future Plans for Material Investments and Capital Assets**

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2019.

**Contingent Liabilities**

As at 31 December 2019, the Group had no material contingent liabilities.

*The following is the text of valuation report and valuation certificate, prepared for the purpose of incorporation in this Circular received from CHFT Advisory and Appraisal Ltd., an independent valuer, in connection with its valuation of the Commercialisation Rights as at 31 May 2022.*

Our Ref: VC/JLI/30997/2022
Date: 23 August 2022

**China NT Pharma Group Company Limited**
28th Floor, The Wellington,
198 Wellington Street, Sheung Wan,
Hong Kong

**Attn.: Board of Directors**

Dear Sirs/Madams,

**RE: Valuation of Commercialisation Rights for China NT Pharma Group Company Limited**

In accordance with an instruction from China NT Pharma Group Company Limited (the "**Instructing Party**"), we hereby provide this valuation report on the market value basis of an exclusive and perpetual license to commercialise a monoclonal antibody (i.e. Orticumab, or the "**Product**") in seven target territories (the "**Commercialisation Rights**") as at 31 May 2022 (the "**Valuation Date**").

The technology associated with the Product is currently in Phase II of clinical trial. The Product will be developed for treating five diseases comprising atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systematic lupus erythematous and calcified aortic valve diseases (each an indication of the Product).

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Commercialisation Rights.

This valuation is complied with the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors ("**RICS**") and International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

## 1 PURPOSE OF VALUATION

We understand the purpose of our valuation is to express an independent opinion on the market value of the Commercialisation Rights as at the Valuation Date. This report outlines our latest findings and value conclusion prepared solely for the management of the Instructing Party for its public circular purpose only.

## 2 SCOPE OF WORK

In conducting this valuation exercise and under our scope of work, we have:

- Co-ordinated with the Instructing Party's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Commercialisation Rights, including the historical research and development cost of the Product, financial projection of commercialisation plan etc. made available to us;
- Discussed with the management of Instructing Party to understand the research status, research plan etc. of the Product for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Product made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated market value of the Commercialisation Rights; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the Commercialisation Rights should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the management and the research and development team of the Instructing Party, as well as their respective authorized representatives.

## 3 OVERVIEW OF THE COMMERCIALISATION RIGHTS

According to the announcement as at 21 June 2022 (the "**Announcement**") issued by the Instructing Party, Green-Life Technology (Hong Kong) Company Limited (the "**Licensee**"), a wholly-owned subsidiary of the Instructing Party, is expected to enter into the licensing agreement (the "**Licensing Agreement**") with Abcentra LLC (the "**Licensor**").

Pursuant to the Licensing Agreement, the Licensor is to irrevocably grant the Licensee an exclusive and perpetual license to commercialise the Product for treating atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systematic lupus erythematous and calcified aortic valve diseases (each an indication of the Product) in seven target territories, namely the People's Republic of China (the "**PRC**"), Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand (the "**Territories**"). As the Valuation Date, the technology is currently in Phase II of clinical trial and developed by the Licensor.

According to the Announcement, the Instructing Party shall pay the following consideration to the Licensor:

| **Consideration** | **Amount** |
|---|---|
| An initial lump sum payment of USD2 million (equivalent to approximately RMB13.4 million), payable on the license effective date. | RMB13.4 million |
| For each indication of the Product, a second payment of USD10 million (equivalent to approximately RMB67.0 million), payable upon receipt of product registration approval from the Chinese mainland regulatory authorities. | RMB67.0 million |
| For each indication of the Product, a third payment of USD12 million (equivalent to approximately RMB80.4 million), payable within 12 months after the registration approval. | RMB80.4 million |

Other than the consideration, the Instructing Party also shall pay the annual royalties of 10% of the revenue incurred from sale of the Product in the Territories to the Licensor.

Besides, the Instructing Party is expected to enter into the consultancy agreements with Mr. Wang and Dr. Gao. Pursuant to the consultancy agreements, the Instructing Party will allot and issue 463,722,859 shares of the Instructing Party and 9,463,732 shares of the Instructing Party to Mr. Wang and Dr. Gao respectively as the consideration upon the fulfillment of all the conditions precedents as mentioned in the Announcement.

As advised by the Instructing Party, the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined. Based on the timetable, the approval from related regulators for the Product with treatment of atherosclerotic cardiovascular diseases is expected to be obtained by December 2026.

Considering that the research and development timetables for other indications are still uncertain, we have concluded the market value of the Commercialisation Rights mainly through calculating the market value of the Product for the treatment of atherosclerotic cardiovascular diseases.

## 4 INDUSTRY OVERVIEW

### Monoclonal Antibodies Introduction

Monoclonal antibodies are antibodies that are derived from the clone of a single B cell and that are produced in large numbers of identical cells possessing affinity for the same epitope on a specific antigen (as a cancer cell). Monoclonal antibodies can bind to the same epitope (the part of an antigen that is recognized by the antibody) to inhibit the binding of the ligand to its specific receptor. Due to this characteristic, monoclonal antibodies are used on the clinical level for both diagnosis and therapy of diseases.

Monoclonal antibodies have the following advantages in the treatment of diseases:

- A monoclonal antibody can be specific for one single antigenic epitope and bind directly to the target. Monoclonal antibodies would provide protection by blocking, directly killing or activating the immune response without misidentifying and attacking normal cells; and

- Monoclonal antibodies are proteins, which are metabolized in the same way as proteins in the body. Thus they do not place an additional burden on the liver and kidneys, and in turn have relatively few side effects.

### Global Monoclonal Antibody Market

Based on the industry report issued by Frost & Sullivan in September 2019 (the "**Industry Report**"), monoclonal antibodies have been the largest category in the global biologics market since 2013. In 2018, the global monoclonal antibodies segment accounted for 55.3% of the global biologics market, growing from 2014 to 2018 at a compounded annual growth rate (the "**CAGR**") of 13.2%.

Due to the fact that the global medical demand continues to grow and penetration of monoclonal antibodies increases, the global monoclonal antibody market is expected to continue to grow to USD35.6 billion from 2018 to 2023 at a CAGR of 10.2%, and to USD328.0 billion from 2023 to 2030 at a CAGR of 4.8%, based on the Industry Report.

### China Monoclonal Antibody Market

China's monoclonal antibody market is in infancy stage. Based on the Industry Report, the monoclonal antibody market accounted for only 6.1% of the total biologics market in China in 2018. At present, the types of monoclonal antibody drugs in China are fewer, and it is expected that there is a significant potential for future development in monoclonal antibody market.

Since 2017, the national health insurance system of China has significantly expanded the coverage of monoclonal antibodies, which is increasing the penetration of monoclonal antibodies in the future. Meanwhile, the introduction of immunotherapy products is expected to further contribute to the expansion of the monoclonal antibody market in China. Based on the Industry Report, the China monoclonal antibody market is expected to grow to RMB156.5 billion from 2018 to 2023 at a CAGR of 57.9%, and to RMB367.8 billion from 2023 to 2030 at a CAGR of 13.0%.

**Market Drivers of China Monoclonal Antibody Market**

With the rapid development of the monoclonal antibody industry, China has paid more attention to the monoclonal antibody industry, and the domestic monoclonal antibody industry is expected to continue to maintain rapid growth momentum in the future.

Firstly, China has introduced a series of policies related to biopharmaceuticals in recent years, such as the "Guidance on Promoting the Healthy Development of the Pharmaceutical Industry", which supports the independent innovation and development of biopharmaceuticals. A number of monoclonal antibodies-related research projects have been supported by national key foundation.

Secondly, with the strains of an aging population in China, the number of cancer, cardiovascular and other chronic diseases patients is expected to increase. According to the UN World Population Prospects 2019 report, China's aging will enter an accelerated phase in the next 30 years, and by 2050, the proportion of people aged over 60 will reach over 35% estimated by UNDESA. Based on China Cardiovascular Health and Disease Report 2020, the number of cardiovascular disease patients in China has reached 330 million in 2020, 40 million more than 290 million in 2019. Therefore, the disease spectrum of China's population is expected to further expand the monoclonal antibody market.

Finally, as the local income level increases and the scope of medical insurance coverage expands, the ability and willingness of patients to pay for monoclonal antibodies are significantly enhanced. With policy support, the number of monoclonal antibodies included in medical insurance has risen to thirteen in 2019, nearly doubling from seven in 2017. At the same time, as doctors and patients become more aware of the efficacy of monoclonal antibodies, the current medication structure is expected to be improved and the monoclonal antibody market is expected to have room to rise further.

## 5 VALUATION METHODOLOGY

There are three generally accepted valuation approaches in this valuation. The valuation approaches are sourced from International Valuation Standard 105 – Valuation Approaches and Methods.

### 5.1 Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

The cost approach should be used as the primary basis for a valuation under the following circumstances:

- market participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a market participant would not be willing to pay a significant premium for the ability to use the subject asset immediately;

- the asset is not income-generating (directly or indirectly) and the unique nature of the asset makes using an income approach or market approach unfeasible, and

- the basis of value being used is fundamentally based on replacement cost, such as reinstatement value.

### 5.2 Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach.

The market approach should be used as the primary basis for a valuation under the following circumstances:

- the asset has recently been sold in a transaction appropriate for consideration under the basis of value;

- the asset or substantially similar assets are actively publicly traded; and

- there are frequent or recent observable transactions in substantially similar assets.

**5.3 Income Approach**

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

The income approach should be used as the primary basis for a valuation under the following circumstances:

- the income-producing ability of the asset is the critical element affecting value from a market participant perspective; and

- reliable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

**5.4 Selection of Assessment Methodology**

We considered that the market approach was not applicable for the valuation. As per our discussion with the management of the Instructing Party, the Product is a new-generation of monoclonal antibody targeting several indications. Given the uniqueness of the Product, there are insufficient comparable transactions in the market. Accordingly, the market approach was not adopted.

We also considered that the cost approach was not an appropriate approach for the valuation. As this approach does not take the potential future value of the Commercialisation Rights into consideration. Based on the research and development (the "**R&D**") timetable disclosed on the Announcement, the Licensor has made remarkable R&D progress. Accordingly, the cost approach was not adopted.

In light of the above, the income approach was used for the valuation of the Commercialisation Rights, as it takes the future revenue and specific characteristics of the Product into consideration. Specifically, we have chosen the Discounted Cash-flow Method (the "**DCF Method**") in order to determine the value of the Commercialisation Rights.

The DCF Method revolves around the concept that the value of a subject is determined through calculating the present value of all future benefits that flow to the owner by applying an appropriate discount rate. These future benefits consist of current income distributions, appreciation in the asset, or a combination of both. In essence, this valuation method requires a forecast to be made on cash flows, and extending the forecasts into the future until the asset reaches an assumed stabilization state. This methodology assumes that the forecasted income/cash flow will not necessarily be stable in the near term, but will eventually stabilize in the future.

## 6 DISCUSSION OF DCF VALUATION

### Forecast Period

During the course of the valuation, we have obtained a set of financial forecasts provided by the management of the Instructing Party. We have reviewed such forecast and performed our assessment based on the forecast.

As the Product for treatment of atherosclerotic cardiovascular diseases is expected to launch onto the market in 2028, the management provided financial forecast from the Valuation Date to 2048 (the "**Forecast Period**"), representing the period commencing from the Valuation Date to 20 years after the launch of the Product.

To assess the reasonableness of the Forecast Period, we have reviewed related market researches. Based on the research report "Discussion on the valuation methods of Innovative Drugs" issued by China International Capital Corporation, the market share and sales of new drugs usually take around 10 years to enter peak-sales stage after commercialisation. Then the market share of new drugs is expected to be stable for around 5 years in peak-sales stage. After peak-sales stage the market share of new drugs is expected to gradually decrease for around 5 years before entering perpetual period. Therefore, we are of opinion that the Forecast Period adopted by management is fair and reasonable in this valuation.

### Sales

As per our discussion with the management of the Instructing Party, the primary source of sales for the Commercialisation Right is sales of the Product to patients with atherosclerotic cardiovascular diseases, which is mainly determined by: 1) domestic market size; and 2) market share of the Product.

The indications of the Product include a total of five diseases: 1) atherosclerotic cardiovascular diseases; 2) psoriasis; 3) rheumatoid arthritis; 4) systematic lupus erythematous; and 5) calcified aortic valve diseases. Considering the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined, while the research and development timetables for other indications are still uncertain as at the Valuation Date, the market value of the Commercialisation Rights is concluded by assessing the treatment of atherosclerotic cardiovascular diseases in the Territories.

***Domestic market size***

The market size for treatment of atherosclerotic cardiovascular diseases is projected based on several factors, including: 1) general population; 2) the prevalence rate of atherosclerotic cardiovascular diseases; and 3) the treatment rate.

- General population: It was projected based on the data provided by the National Bureau of Statistics of China and UN World Population Prospects 2019 report.

- The prevalence rate of the atherosclerotic cardiovascular diseases: It was projected based on data from the peer-reviewed research article ("Atherosclerotic Cardiovascular Disease Risk and Lipid-Lowering Therapy Requirement in China") published by Frontiers in Cardiovascular Medicine on 28 March 2022.

- The treatment rate: It was projected based on data from the research article ("Report on Cardiovascular Health and Diseases Burden in China: an Updated Summary of 2020") published by the Writing Committee of the Report on Cardiovascular Health and Diseases in China on Chinese Circulation Journal.

***Market share***

With respect to market share projections, the management of the Instructing Party has estimated its future market share based on a number of factors, including: 1) success rate of other competing products; and 2) latest published R&D status of other competing products currently undergoing clinical trials.

In this valuation, each successful monoclonal antibody product is expected to share the total market. Based on the medical industry research paper issued by Sinolink Securities in March 2022, as at the Valuation Date there are only two monoclonal antibody products focused on atherosclerotic cardiovascular diseases that has been successfully launched onto the PRC market. Nevertheless, we have also observed a number of pipeline competitors undergoing clinical trials, and their potential presence in the market should be considered.

In this valuation, a weighted success rate is applied throughout the Forecast Period. Such success rate reflects the competition from all existing and potential market participants.

***Sales projection***

As discussed in Forecast Period section, the Product is expected to take 10 years to achieve peak-sales after launch, and the peak-sales stage is expected to last 5 years before decline.

In 2028, the Product is expected to be launched onto the market and the sales of the Product is projected to reach approximately RMB498 million.

In the following years, the sales of the Product is projected to grow incrementally year-over-year and enters the peak-sales stage in 2037. This translates to a CAGR of 32.4% from 2028 to 2037 and the peak sales in 2037 is projected to be approximately RMB6,209 million.

Then, the growth rate of sales of the Product is expected to be stable from 2038 to 2042, with a CAGR of 3.0%. Due to the competition from new potential launches, the sales of the Product is expected to gradually decline after 2042 and enter the perpetual stage in 2048. In 2048, sales of the Product is expected to reach approximately RMB1,737 million.

**Cost of Sales**

As per our discussion with the management of the Instructing Party, the cost of sales related to the Commercialisation Rights mainly consists of manufacturing cost of the Product.

The management of the Instructing Party estimates that after launch, the cost for the Product is expected to account for 18.0% of sales. This ratio is determined with reference to historical drug manufacturing activities.

As part of our due diligence process, we have conducted industry research to assess the reasonableness of the cost to sales ratio. Among the comparable companies listed below, (comprising Jiangsu Hengrui Pharmaceuticals Co., Ltd., Shenzhen Salubris Pharmaceuticals Co., Ltd., Shanghai Junshi Biosciences Co., Ltd., Hansoh Pharmaceutical Group Company Limited, Sino Biopharmaceutical Limited, Luye Pharma Group Ltd., Sihuan Pharmaceutical Holdings Group Ltd.; please refer to Section 7 of this report), we noticed that the ratio of cost to sales ranges from 6.0% to 29.1%, and the average ratio is 18.2%, based on FactSet database. As the adopted ratio of cost to sales is consistent to the average level of comparable companies, we are of opinion that the adopted ratio is fair and reasonable.

**Operating Expenses**

As per our discussion with the management of the Instructing Party, operating expenses mainly consist of: 1) sales & administrative expenses; and 2) royalty fees.

***Sales & Administrative Expenses***

The management of the Instructing Party estimates that after commercialisation, sales & administrative expenses are expected to account for 62.0% of sales. This ratio is determined with reference to historical drug manufacturing activities.

As part of our due diligence process, we have conducted industry research to assess the reasonableness of the expense to sales ratio. We have also adopted the comparable companies as disclosed in Section 7 of this report for assessment. We noticed that the ratio of expenses to sales ranges from 46.7% to 78.2%, and the average ratio is 61.8%, based on FactSet database. As the adopted ratio of expenses to sales is consistent to the average level of comparable companies, we are of the opinion that the adopted ratio is fair and reasonable.

***Royalty fees***

According to page of 6 of the Announcement, the Instructing Party also shall pay the annual royalties of 10% of the sales of the Product in the Territories to the Licensor.

**Tax Rate**

The standard tax rate on corporate income is 25% based on corporate income tax law in the PRC.

Based on the Announcement, the Municipal Government of Chibi City ("**Chibi Government**") of Hubei Province or its designated platform will set up the joint-venture company (the "**JV Co**") with the Instructing Party to develop this Product.

As advised by the management, in accordance with the relevant tax law in the PRC, the JV Co is expected to satisfy the criteria of high and new tech enterprise, and the expected corporate income tax rate is 15%.

**Capital Expenditure and Depreciation**

The capital expenditure (the "**Capex**") measures the amount of cash flow invested by the Instructing Party in particularly property, plant and equipment ("**PP&E**").

Based on the Announcement, Chibi Government of Hubei Province intends to provide a parcel of land in Chibi High-tech Zone and funds of approximately RMB200 million to RMB300 million for the establishment of plants and facilities to be used by the JV Co.

As per our discussion with the management of the Instructing Party, initial capital expenditures with total amount of RMB200 million are required to meet the projected operational needs of business, if the Product successfully obtains the related approval in 2026. The annual capital expenditures for PP&E are projected to be around RMB5 million in order to counter the depreciation and maintain a stable PP&E scale to support operation within the Forecast Period.

The PP&E are depreciated over 10 to 20 years on straight-line basis.

**Required Net Working Capital**

Required working capital of JV Co includes accounts receivable, inventory, prepayments, and accounts payable. The detail of projection is set out as follows:

***Accounts Receivable***

Accounts receivable is projected with reference to the accounts receivable turnover rate and the sales of the Product. The accounts receivable turnover rate is projected to be approximately 4.1 times per annum in the Forecast Period, which is determined with reference to the average of comparable companies.

***Inventory***

Inventory is projected with reference to the inventory turnover rate and the cost of sales of the Product. The inventory turnover rate is projected to be approximately 2.1 times per annum in the Forecast Period, which is determined with reference to the average of comparable companies.

***Prepayments***

Prepayments mainly refers to the clinical trial fees prepaid to the clinical trial providers, etc. Prepayments is projected with reference to the ratio of prepayment to the cost of sales of the Product. The ratio of prepayments is projected to be approximately 34.5% in the Forecast Period, which is determined with reference to the average of comparable companies.

***Accounts Payable***

Accounts payable is projected with reference to the ratio of accounts payable to the cost of sales of Product. The ratio is projected to be approximately 20.3% in the Forecast Period, which is determined with reference to the average of comparable companies.

**R&D expenses**

Prior to 2028, the Product is expected to be undergoing clinical trials. According to page 13 of the Announcement, a total of RMB65.9 million in R&D expenses, covering clinical application, research and development expenses in clinical centre, inspection expenses for on-site management and other associated costs, will be required for the Product for treatment of atherosclerotic cardiovascular diseases from 2023 to 2028.

**Overseas market size**

Based on its current development plan and sales strategy, the Product is expected to be also marketed and sold in Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand after obtaining the relevant marketing approvals in the respective regions. As these overseas markets are relatively trivial compared to the PRC, the overseas market size adopted in this valuation analysis is projected based on the overall population of overseas markets relative to the population of the PRC.

## 7 DISCOUNT RATE

We adopted the weight average cost of capital (the "**WACC**") as the benchmark discount rate in valuing the market value of the Commercialisation Rights. WACC comprises two components: cost of equity and cost of debt. Cost of equity was developed using Capital Asset Pricing Model (the "**CAPM**"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks. Cost of debt was developed with reference to the long term prime lending rate.

Our determined discount rate for the Commercialisation Rights is ***13.3%.***

**Comparable Companies**

We have selected a group of comparable companies listed on stock exchanges to provide a reasonable reference in order to evaluate the industry's beta and capital structure used. Our selection criteria are that the comparable companies should:

- Primarily be engaged in pharmaceutical manufacturing related to atherosclerotic cardiovascular diseases;
- Have their approved products and primary operations in China; and
- Information on the peer firms must be extracted from a reliable source.

As we have conducted an exhaustive search for all companies that meet the criteria set out above, we are of the opinion that the adopted comparable companies are representative, fair and reasonable comparisons to reflect the characteristics of the Commercialisation Rights. Their detailed information of comparable companies is set out as below.

| Ticker | Company name | Debt to Equity | Unleveraged Beta |
|---|---|---|---|
| 600276-CN | Jiangsu Hengrui Pharmaceuticals Co., Ltd. | 0.5% | 0.93 |

| Ticker | Company name | Debt to Equity | Unleveraged Beta |
|---|---|---|---|
| 002294-CN | Shenzhen Salubris Pharmaceuticals Co., Ltd. | 1.4% | 1.01 |
| 1877-HK | Shanghai Junshi Biosciences Co., Ltd. | 7.9% | 0.68 |
| 3692-HK | Hansoh Pharmaceutical Group Company Limited | 0.2% | 0.79 |
| 1177-HK | Sino Biopharmaceutical Limited | 16.4% | 0.96 |
| 2186-HK | Luye Pharma Group Ltd. | 93.9% | 0.40 |
| 460-HK | Sihuan Pharmaceutical Holdings Group Ltd. | 6.5% | 1.00 |
| **Mean** | | **18.1%** | **0.83** |

**Description of Comparable Companies**

- Jiangsu Hengrui Pharmaceuticals Co., Ltd. engages in the research, development, manufacture, and sale of drugs. It specializes in antineoplastic agents, surgical anesthesia drugs, features infusion, contrast agents, and cardiovascular drugs. The firm's products include tablets, oral solution, and suspension of antineoplastic drugs and narcotic drugs; psychotropic substances; soft capsules; freeze-dried powder injection; powder injection; high-volume injection, including multi-layer co-extruded infusion bag, with anti-tumor drugs; small volume injections, including antineoplastic drugs, psychotropic drugs, and non-final sterilization; biological engineering products such as polyethylene glycol recombinant human granulocyte stimulating factor injection; hard capsules; granules; powder; and film and gel. The company was founded in 1970 and is headquartered in Lianyungang, China.

- Shenzhen Salubris Pharmaceuticals Co., Ltd. engages in the research, development, production, and sale of pharmaceuticals and medical devices. Its products include cardiovascular drugs and medical devices; cephalosporin antibiotics and raw materials; and bone resorption inhibitor drugs. The company was founded on November 3, 1998 and is headquartered in Shenzhen, China.

- Shanghai Junshi Biosciences Co., Ltd. engages in the discovery, development, clinical research and commercialization of biopharmaceutical drugs. Its products include toripalimab injection, UBP1211, JS002 and UBP1213. The company was founded by Zhuo Bing Zhang and Ji Kuan Shan on December 27, 2012 and is headquartered in Shanghai, China.

- Hansoh Pharmaceutical Group Co., Ltd. is a holding company, which engages in the research and development, production, and sale of a series of pharmaceutical products. Its products include oncology, anti-infective, anti-diabetic, gastrointestinal, and cardiovascular drugs. The company was founded by Huijuan Zhong on December 2, 2015 and is headquartered in Lianyungang, China.

- Sino Biopharmaceutical Ltd. is an investment holding company, which engages in the manufacture and sale of pharmaceutical products. It operates through the following business segments: Modernised Chinese Medicines and Chemical Medicines, Investment, and Others. The Modernised Chinese Medicines and Chemical Medicines segment comprises the manufacturing, selling, and distribution of modernized Chinese medicine products and western medicine products. The Investment segment offers long term investments. The Other segment includes a research and development sector, which provides services to third-parties; and related healthcare and hospital business. It also develops medicines for treating tumors, analgesia, diabetes, and respiratory system diseases. The company was founded by Ping Tse on February 2, 2000 and is headquartered in Hong Kong.

- Luye Pharma Group Ltd. is an investment holding company, which engages in the developing, producing, marketing, and selling pharmaceutical products. It operates through the following segments: Oncology Drugs, Cardiovascular System Drugs, Alimentary Tract and Metabolism Drugs, and Others. The company was founded on June 8, 1994 and is headquartered in Yantai, China.

- Sihuan Pharmaceutical Holdings Group Ltd. engages in the research and development, manufacture, and sale of pharmaceutical products. It focuses on the field of cardio-cerebral vascular system, nervous system, metabolism, anti-infective, and oncology. The company was founded by Feng Sheng Che and Wei Cheng Guo in 2001 and is headquartered in Beijing, China.

**WACC Calculation**

WACC calculation for Commercialisation Rights is shown as table below.

| Component | Target | Notes | Formula |
|---|---|---|---|
| Debt to equity ratio | 18.1% | 1 | a |
| Unleveraged beta | 0.83 | 2 | b |
| Risk free rate | 2.81% | 3 | c |
| Equity risk premium | 5.64% | 4 | d |
| Leveraged beta | 0.96 | 5 | e |
| Size premium | 3.21% | 6 | f |
| Company specific premium | 3.50% | 7 | g |
| **Cost of equity** | **14.90%** | | h=c+d*e+f+g |
| Pre-tax cost of debt | 4.90% | 8 | i |
| Effective tax rate | 15.00% | | j |
| **After tax Cost of debt** | **4.17%** | | k=i*(1-j) |
| **WACC (Rounded)** | **13.3%** | | l=h/(1+a)+ k/(1+a)*a |

*Notes to the WACC parameters are as follows:*

1. The debt to equity ratio is derived from the comparable companies.
2. Unleveraged beta is derived from the comparable companies.
3. The risk-free rate is determined with reference to the China 10-Year sovereign bond yield, sourced from FactSet.
4. The equity risk premium represents China Equity Risk Premium, sourced from Aswath Damodaran.
5. Leveraged beta is derived from leveraging comparable companies' unleveraged beta.
6. Size premium is applied to reflect the effect of firm size on return, sourced from Duff & Phelps 2020 Valuation Handbook.
7. Company specific premium is applied to account for additional risk factors specific to JV Co, including but not limited to operation risk, market demand, etc.
8. The pre-tax cost of debt is in line with China best lending rate.

## 8 SUCCESS RATE

Based on the financial forecast and discount rate discussed in Section 6 and Section 7 above, the market value of the Commercialisation Rights as at the Valuation Date is calculated to be approximately RMB655 million, on the condition that the Product for the treatment of atherosclerotic cardiovascular diseases is launched successfully as expected.

Due to the fact that the Product is currently in Phase II of clinical trials as at the Valuation Date, there is a significant probability that the Product will fail and cannot be launched eventually. To reflect such uncertainty, a 32% success rate is applied in this valuation. Such success rate is supported by data from peer-reviewed clinical journals that were concluded from relevant researches.

For our final opinion of value of the Commercialisation Rights with consideration of success rate, please refer to Section 12 of this report.

## 9 DISCUSSION OF THE TREATMENT OF ROYALTY FEE UNDER HKFRS 3

As per our discussion with the management of the Instructing Party, the Instructing Party is of opinion that the acquisition of the Commercialisation Rights by the Instructing Party should be recognized as a business combination based on Hong Kong Financial Reporting Standard 3 – Business Combinations ("**HKFRS 3**"). Therefore, the Commercialisation Rights will be recognized as an asset in the consolidated financial statement of the Instructing Party after a purchase price allocation process.

As advised by the Instructing Party, for the purpose of the initial recognition of the Commercialisation Rights under HKFRS 3, the annual royalties of 10% of the sales of the Product in the Territories to the Licensor disclosed on page 9 of the circular of the Instructing Party dated 23 August 2022 are deemed to be a part of the consideration to be transferred, rather than a part of the operating expenses deducted from the forecasted cash flow as described in Section 6.

Therefore, based on such understanding of HKFRS 3, we have calculated the value of the Commercialisation Rights for the treatment of atherosclerotic cardiovascular diseases for financial reporting purpose, where the annual royalties of 10% is not considered as an operating expense. Under such treatment, the value is calculated to be approximately RMB588 million, on the condition that the annual royalties are removed from the forecasted cash flow while other assumptions remain the same.

## 10 PREMISE OF VALUATION AND BASIS OF VALUATION

Our valuation is based on market value basis and market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

**10.1 Source of Information**

Our investigation covers the discussion with Instructing Party's representatives, the collection of information including the details of Commercialisation Rights.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by Instructing Party were prepared in reasonably care.

We have no reason to doubt the truth and accuracy of the information provided to us by Instructing Party. We have also sought confirmation from Instructing Party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

**10.2 General Assumptions Considered**

The general assumptions considered in this valuation included, but not limited to, the following:

- It is assumed that there are no material changes in the current laws, regulations and policies, and the macroeconomic situation of the country, nor are there any material changes in the political, economic and social environment of the regions where the parties to the transactions are located;

- It is assumed that the future operation and management team of the JV Co will be diligent in their duties, and continue to maintain the existing operation strategies and continue to operate the Product;

- It is assumed that all basic information and financial information provided by the Licensor and the Instructing Party are true, correct and complete.

**10.3 Special Assumptions Considered**

The special assumptions considered in this valuation included, but not limited to, the following:

- It is assumed that the Licensor will continue its development and clinical trials of drug candidates;

- It is assumed that the JV Co's research and development team that develops the Technology have competent efficiency in future clinical trials;

- It is assumed that the JV Co will obtain approval from National Medical Products Administration of China for the Technology with treatment of atherosclerotic cardiovascular diseases by fourth quarter of 2026 and such Product will be available for sale in 2028. Nevertheless, a success rate observed from overall clinical trial statistics is also applied to reflect the potential risk of clinical trial failure;

- It is assumed that prior to obtaining the marketing authorisation, there will be no major changes in chemistry, manufacturing and controls of the Technology, and no major changes in clinical study regulation and guidelines for the Technology;

- It is assumed that the JV Co is capable to establish and expand its sales, marketing and commercialisation infrastructure and workforce when the drug candidates obtain marketing approval;

- It is assumed that the Product will be commercialised for the treatment of atherosclerotic cardiovascular diseases in the valuation assessment.

  The indications of the Product include a total of five diseases: 1) atherosclerotic cardiovascular diseases; 2) psoriasis; 3) rheumatoid arthritis; 4) systematic lupus erythematous; and 5) calcified aortic valve diseases. Considering the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined, while the research and development timetables for other indications are still uncertain as at the Valuation Date, the market value of the Commercialisation Rights is concluded by assessing the treatment of atherosclerotic cardiovascular diseases in the Territories;

- It is assumed that the Product will be commercialised according to the following schedule:

  – Application for drug clinical trial: December 2022;

  – Completion of Phase II of clinical trial of atherosclerotic cardiovascular diseases: February 2024;

  – Completion of Phase III of clinical trial of atherosclerotic cardiovascular diseases: June 2025;

  – Approval from related regulators for the Product for treatment of atherosclerotic cardiovascular diseases: December 2026;

  – Sale of the Product in market: January 2028;

- It is assumed that the expected number of target patients can be reasonably estimated based on following related factors, including but not limited to:

  – The general population;

  – The prevalence rate of the disease (i.e. the percentage of population that has the indicated disease); and

  – The treatment rate (i.e. the percentage of patients that is actually treated);

- It is assumed that gross margin and profit margin of the projected financial forecast provided by the Instructing Party is consistent with that observed from general market and comparable market players; and

- It is assumed that the clinical trial success rate for atherosclerotic cardiovascular diseases observed from research and academic studies can represent the projected success rate of future trial results of the Product.

**10.4 Factors Considered**

The factors considered in this valuation included, but not limited to, the following:

- The demand and supply of the Product in the region;

- Operation and financial risks of the Commercialisation Rights;

- Policies set by the government that pertains to the Product;

- Average operational parameters of comparable companies in the region;

- Operation experience of the research team and the management; and

- The economic conditions of China and principal business location.

## 11 DISCLAIMER AND LIMITATION

Our findings or conclusion of values of the subject(s) in this report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Instructing Party.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding five (5) times of the amount of our agreed fee(s) for this engagement or HK$500,000, whichever the lower. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

## 12 CONCLUSION

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Instructing Party and/or CHFT Advisory and Appraisal Ltd (the "**CHFT**").

Based on the valuation methodology adopted, we are of the opinion that the market value of the Commercialisation Rights, as at 31 May 2022, was **RMB191,000,000 (RENMINBI ONE HUNDRED NINTY ONE MILLION).**

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the Commercialisation Rights or the value reported. This report is prepared independently. Neither CHFT nor any authors of this report hold any interest in the Instructing Party, the Commercialisation Rights or its related parties. The fee for providing this report is based on our normal professional rates. Payment of fees is not contingent upon the conclusions drawn in this report.

Yours faithfully,
For and on behalf of
**CHFT Advisory and Appraisal Ltd.**
**Ross Wang** CFA
*Director*

*Note:* Mr. Ross Wang is a CFA charterholder. He has over 12 year's experience in providing business valuation services in Hong Kong, the PRC and Asian region.

## (A) LETTER FROM REPORTING ACCOUNTANT IN THE ANNOUNCEMENT

*The following is the text of a report dated 21 June 2022 from the Company's reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.*

21 June 2022

The Board of Directors
China NT Pharma Group Company Limited
28th Floor, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

Dear Sirs,

**REPORT FROM REPORTING ACCOUNTANT ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF THE EXCLUSIVE RIGHTS TO COMMERCIALISE A MONOCLONAL ANTIBODY IN CHINA AND CERTAIN SOUTHEAST ASIA COUNTRIES (THE "COMMERCIALISATION RIGHTS")**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the preliminary valuation dated 21 June 2022 prepared by CHFT Advisory and Appraisal Ltd. in respect of the Commercialisation Rights as at 31 May 2022 is based. The valuation is set out in the announcement of China NT Pharma Group Company Limited (the "**Company**") dated 21 June 2022 (the "**Announcement**") including the proposed acquisition of the Commercialisation Rights. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

**Directors' Responsibilities for the Forecast**

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed "Assumptions of valuation" of the Announcement.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Commercialisation Rights. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

**Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Ng Ngai Yan**
Practising Certificate Number: P07422

Hong Kong, 21 June 2022

## (B) LETTER FROM REPORTING ACCOUNTANT IN THE CIRCULAR

*The following is the text of a report dated 23 August 2022 from the Company's reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.*

23 August 2022

The Board of Directors
China NT Pharma Group Company Limited
28th Floor, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

Dear Sirs,

**REPORT FROM REPORTING ACCOUNTANT ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF THE EXCLUSIVE RIGHTS TO COMMERCIALISE A MONOCLONAL ANTIBODY IN CHINA AND CERTAIN SOUTHEAST ASIA COUNTRIES (THE "COMMERCIALISATION RIGHTS") FOR PURCHASE PRICE ALLOCATION PURPOSE**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation report prepared by CHFT Advisory and Appraisal Ltd. in respect of the Commercialisation Rights as at 31 May 2022 (the "**Valuation Report**") is based. The valuation of the Commercialisation Rights for purchase price allocation purpose is set out in the section 9 of the Valuation Report included in the appendix III to the circular of China NT Pharma Group Company Limited (the "**Company**") dated 23 August 2022 (the "**Circular**") in relation to the proposed acquisition of licensing of the Commercialisation Rights. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

**Directors' Responsibilities for the Forecast**

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the Valuation Report included in the appendix III to the Circular.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Commercialisation Rights. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

**Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Ng Ngai Yan**
Practising Certificate Number: P07422

Hong Kong, 23 August 2022

## (A) LETTER FROM THE BOARD ON THE PROFIT FORECAST IN THE ANNOUNCEMENT

*The following is the text of the letter dated 21 June 2022 from the Board which was prepared for inclusion in this circular.*

中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1011)**

*To: The Stock Exchange of Hong Kong Limited*

Dear Sir/Madam,

**Re: Profit Forecast – Confirmation Letter under the Requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")**

Reference is made to the announcement of the Company dated 21 June 2022 in relation to, among others, (i) the Transaction Documents and the transactions contemplated thereunder; and (ii) the valuation report of the Commercialisation Rights as of 31 May 2022 (the "**Valuation Report**") prepared by CHFT Advisory and Appraisal Ltd. (the "**Valuer**"), which adopted the income approach in the valuation (the "**Announcement**"). Unless otherwise stated herein, capitalised terms in this letter shall have the same meaning as defined in the Announcement.

The board of directors (the "**Board**") of the Company has reviewed the bases and assumptions of the valuation and discussed the same with the Valuer.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that the above profit forecast used in the Valuation Report has been made after due and careful enquiry.

By Order of the Board
**China NT Pharma Group Company Limited**

21 June 2022

## (B) LETTER FROM THE BOARD ON THE PROFIT FORECAST IN THE CIRCULAR

*The following is the text of the letter dated 23 August 2022 from the Board which was prepared for inclusion in this circular.*

中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1011)**

*To: The Stock Exchange of Hong Kong Limited*

Dear Sir/Madam,

**Re: Profit Forecast – Confirmation Letter under the Requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")**

Reference is made to the circular of the Company dated 23 August 2022 (the "**Circular**") in relation to, among others, (i) the Transaction Documents and the transactions contemplated thereunder; and (ii) the valuation of the Commercialisation Rights for purchase price allocation purpose as of 31 May 2022 (the "**Valuation**") as set out in section 9 of the valuation report in the appendix III to the Circular prepared by CHFT Advisory and Appraisal Ltd. (the "**Valuer**"), which adopted the income approach in the valuation. Unless otherwise stated herein, capitalised terms in this letter shall have the same meaning as defined in the Circular.

The board of directors (the "**Board**") of the Company has reviewed the bases and assumptions of the valuation and discussed the same with the Valuer.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that the above profit forecast used in the Valuation has been made after due and careful enquiry.

By Order of the Board
**China NT Pharma Group Company Limited**

23 August 2022

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorized and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company prior to the issue and allotment of the Consideration Shares) will be as follows:

### (a) As at the Latest Practicable Date

#### *(i) Ordinary Shares*

| *Authorised share capital:* | | *US$* |
|---|---|---|
| 625,965,000,000 | Shares of par value of US$0.00000008 each | 50,077.2 |

| *Issued and fully paid or credited as fully paid:* | | *US$ (approximately)* |
|---|---|---|
| 1,904,635,472 | Shares of par value of US$0.00000008 each | 152.37 |

#### *(ii) Convertible Preference Shares*

| *Authorised share capital:* | | *US$* |
|---|---|---|
| 325,000,000 | Shares of par value of US$0.00000008 each | 26 |

| *Issued and fully paid or credited as fully paid:* | | *US$ (approximately)* |
|---|---|---|
| 218,579,000 | Shares of par value of US$0.00000008 each | 17.49 |

**(b) Immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares)**

***(i) Ordinary Shares***

| *Authorised share capital:* | | *US$* |
|---|---|---|
| 625,965,000,000 | Shares of par value of US$0.00000008 each | 50,077.2 |

| *Issued and fully paid or credited as fully paid:* | | *US$ (approximately)* |
|---|---|---|
| 1,904,635,472 | Shares of par value of US$0.00000008 each | 152.37 |
| 473,186,591 | Consideration Shares to be issued and allotted | 37.85 |
| 2,377,822,063 | Shares | 190.22 |

***(ii) Convertible Preference Shares***

| *Authorised share capital:* | | *US$* |
|---|---|---|
| 325,000,000 | Shares of par value of US$0.00000008 each | 26 |

| *Issued and fully paid or credited as fully paid:* | | *US$ (approximately)* |
|---|---|---|
| 218,579,000 | Shares of par value of US$0.00000008 each | 17.49 |

The Consideration Shares will rank pari passu in all respects with each other and with the Shares in issue at the time of issuance of the Consideration Shares.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

| | Number of shares of the Company (long positions) | | | | Approximate percentage of |
|---|---|---|---|---|---|
| **Name of Director** | **Personal interests** | **Family interests** | **Corporate interests** | **Other interests** | **interest in the Company** *(Note 3)* |
| Mr. Ng | 500,000 *(Note 1)* | 4,000,000 *(Note 1)* | 402,892,000 *(Note 2)* | – | 21.39% |
| Ms. Chin | 4,500,000 *(Note 1)* | – | 402,892,000 *(Note 2)* | – | 21.39% |
| Wu Weizhong | 1,066,858 | – | – | – | 0.06% |
| Yu Tze Shan Hailson | 150,000 | – | – | – | 0.01% |

*Notes:*

(1) Mr. Ng Tit ("**Mr. Ng**") and his spouse, Ms. Chin Yu ("**Ms. Chin**") jointly own 500,000 Shares. 4,000,000 share options were granted to Ms. Chin on 15 January 2015 under the share option scheme of the Company adopted on 22 September 2014. Ms. Chin is the spouse of Mr. Ng.

(2) An aggregate of 402,892,000 Shares are beneficially owned by Golden Base Investment Limited ("**Golden Base**"). Mr. Ng and Ms. Chin are the controlling shareholders of Golden Base.

(3) The percentage is calculated on the basis of 1,904,635,472 Shares in issue as at the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options or convertible preference shares of the Company which remained outstanding as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

| | Number of Shares (long positions) | | | | |
|---|---|---|---|---|---|
| **Name** | **Beneficial owner** | **Interest of controlled corporation** | **Family interests** | **Other interests** | **Approximate percentage of interest in the Company** *(Note 2)* |
| Golden Base | 402,892,000 | – | – | – | 21.15% |
| Annie Investment *(Note 1)* | 220,279,000 | – | – | 218,579,000 | 23.04% |
| Ms. Shum *(Note 1)* | – | 438,858,000 | 308,802,500 | – | 39.25% |
| Mr. Ieong *(Note 1)* | 308,802,500 | – | 438,858,000 | – | 39.25% |

*Notes:*

(1) Annie Investment Co., Ltd. ("**Annie Investment**"), a company wholly owned by Shum Ning ("**Ms. Shum**"), is the beneficial owner as to 220,279,000 Shares and 218,579,000 convertible preference shares of the Company (the "**CPS**") which are convertible into 218,579,000 Shares (together representing approximately 20.67% of the enlarged issued share capital assuming all the CPS are converted in full as at the Latest Practicable Date). The CPS are not converted as at the Latest Practicable Date. Ieong Chong Mang ("**Mr. Ieong**") is the beneficial owner as to 308,802,500 Shares (representing approximately 16.21% of the entire issued share capital as at the Latest Practicable Date). Ms. Shum is the spouse of Mr. Ieong. Under the SFO, Ms. Shum is deemed to be interested in all the shares and underlying shares in which Mr. Ieong is interested in and vice versa.

(2) The percentage is calculated on the basis of 1,904,635,472 Shares in issue as at the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options or convertible preference shares of the Company which remained outstanding as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, none of the Directors were director or employee of a company which had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated 11 November 2020 entered into between NT Pharma (Group) Co., Ltd. (a direct wholly-owned subsidiary of the Company) as vendor and Fortune Blaze Investments Limited as purchaser in relation to the disposal of the entire issued share capital of The Mountains Limited, further details of which are set out in the announcement of the Company dated 11 November 2020 and the circular of the Company dated 13 January 2021;

(b) the share transfer agreement dated 27 April 2021 entered into between NTP (China) Investment Co., Limited* (泰淩(中國)投資有限公司) and The Mountains Limited in relation to the transfer of 100% equity interests of NT Pharma (China) Co., Ltd.* (泰淩醫藥(中國)有限公司) to The Mountains Limited, further details of which are set out in the announcement of the Company dated 11 November 2020 and the circular of the Company dated 13 January 2021;

(c) the share transfer agreement dated 21 October 2021 entered into between NT Pharma Pacific Company Ltd and Beijing Konruns Pharmaceutical Co., Limited ("**Beijing Konruns**") in relation to the transfer of 13.7% equity interest in Beijing Kangchen Biological Technology Co., Ltd.to Beijing Konruns, further details of which are disclosed in the annual report of the Company for the year ended 31 December 2021;

(d) the Framework Agreement dated 29 April 2022 entered into among the Company, the Municipal Government and Yunsilu Investment Holding (Hainan) Group Company Limited* (雲絲路投資控股(海南)集團有限公司) in relation to cooperation among the parties on innovative drugs, various medical devices and reagents in the High-tech Zone, details of which are set out in the Previous Announcements and the Announcement; and

(e) the Licensing & Collaboration Agreement.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors had any direct or indirect interest in any assets which have, since 31 December 2021 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

## 7. LITIGATION

As at the Latest Practicable Date, the Group was involved in the following four litigation cases:

(a) On 5 January 2021, a customer as the plaintiff, filed a legal proceeding against a subsidiary as defendant in 北京市東城區人民法院 in respect of overdue promotional service charges of RMB24,455,000, and related expenses of RMB12,000, totalling approximately RMB24,467,000.

On 9 September 2021, the Group received a judgement from the Court and ordered that claim liability amounted to approximately RMB24,467,000 together with interests accrued thereon and related legal costs, is required to be settled by the defendant.

(b) On 24 August 2021, a writ of summons was issued by an associate, 盈泰醫藥, as plaintiff, against a wholly owned subsidiary of the Group, NT (BJ) Pharma Technology Co., Ltd (泰淩(北京)醫藥科技開發有限公司), NT Biopharmaceuticals

Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), collectively as defendant. The plaintiff claimed for the outstanding promotional services fees and accrued interests in the total amount of approximately RMB68,231,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 27 September 2021, the Group received a judgement from 江蘇省泰州醫藥高新技術產業開發區人民法院 ("**泰州高新區法院**") and ordered that the defendant is required to pay a sum of approximately RMB63,700,000 plus related costs of RMB4,531,000. On 6 January 2022, the parties have entered into a settlement agreement that the defendants shall pay to the plaintiff a total sum of approximately RMB68,231,000.

(c) On 17 September 2021, a writ of summons was issued by an independent third party, as plaintiff, against a wholly owned subsidiary, Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰淩醫藥有限公司), NTP (China) Investment Co., Ltd (泰淩(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰淩醫藥(長沙)有限公司), collectively as defendants. The plaintiff claimed for the repayment of principal and the accrued interests of a loan in the total amount of approximately RMB35,260,000. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation.

On 28 October 2021, the plaintiff and Suzhou First Pharmaceutical Co., Ltd (蘇州第壹製藥有限公司), Guangdong NT Pharma Co., Ltd (廣東泰淩醫藥有限公司), NTP (China) Investment Co., Ltd (泰淩(中國)投資有限公司), NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) and NT Pharma (Changsha) Co., Ltd (泰淩醫藥(長沙)有限公司), collectively as defendants, reached a mediation that the claimed borrowings was revised to be RMB33,811,000 which will be repaid in accordance with the revised and extended schedule to December 2022.

(d) On 6 December 2021, a PRC subsidiary, NT Biopharmaceuticals Jiangsu Co., Ltd (泰淩生物製藥江蘇有限公司) ("**NT Biopharmaceuticals**") was served by a writ of summons in 蘇州工業園區人民法院by a PRC bank, for its non-compliance to the terms and conditions of a loan agreement. According to the Statement of Claim, the bank is pursuing claims against NT Biopharmaceuticals for an immediate repayment of all outstanding loan principal and interest, in the sum of approximately RMB101,000,000, together with the default interest. The Group has engaged a competent legal adviser to act for its interest in respect of the litigation. NT Biopharmaceuticals will continue to negotiate with the bank to restructure the due bank loan, together with the default interest, with extension of maturity and revised repayment schedule.

As far as the Directors are aware, save as disclosed above (details of which can be found on pages 12 to 13 of the annual report of the Company for the year ended 31 December 2021), none of the members of the Group was at present engaged in any other litigation or claim or arbitration of material importance (including any litigation or claims that may have any material influence on rights to explore or mine) and there was no other litigation or claim of material importance (including any litigation or claims that may have any material influence on rights to explore or mine) known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

## 8. COMPETING INTERESTS OF DIRECTORS AND THEIR ASSOCIATES

As at the Latest Practicable Date, none of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 9. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

| Name | Qualification |
|---|---|
| Moore Stephens CPA Limited | Certified Public Accountants |
| CHFT Advisory and Appraisal Ltd. | Certified assets valuer |

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the above experts had any beneficial interests in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

## 10. MISCELLANEOUS

(a) The headquarters of the Company is located at No. 1 Hua Ling Road, Suzhou Industrial Park, Suzhou, PRC.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Mr. Pang Wing Hong, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

## 11. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (http://www.ntpharma.com) for a period of 14 days from the date of this circular:

(a) the written consents of experts referred to in the paragraph headed "Experts" in this Appendix;

(b) the Licensing & Collaboration Agreement;

(c) the Licensing Agreement;

(d) the Consultancy Agreements;

(e) the Valuation Report, the text of which is set out in Appendix III to this circular;

(f) the reports from Moore Stephens CPA Limited in relation to the calculation of discounted future cash flows in the Valuation Report, the text of which is set out in Appendix IV to this circular;

(g) the letters issued by the Board on the Profit Forecast, the text of which is set out in Appendix V to this circular;

(h) this circular.

中国泰凌医药集团
CHINA NT PHARMA GROUP

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1011)**

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**PRECAUTIONARY MEASURES FOR THE EPIDEMIC AT THE EGM**

**The following precautionary measures will be implemented by the Company at the EGM to prevent the spreading of the COVID-19:**

**(1) Compulsory body temperature checks**

**(2) Submission of health declaration form**

**(3) Wearing of surgical face mask**

**(4) No refreshments will be provided and no corporate gifts will be distributed**

**Attendees who do not comply with the precautionary measures (1) to (3) above may be denied entry to the EGM venue, at the absolute discretion of the Company, as permitted by law.**

**The Company encourages Shareholders to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of China NT Pharma Group Company Limited (the "**Company**") will be held at No. 1 HuaLing Road, SuZhou Industrial Park, SuZhou, the PRC on Tuesday, 13 September 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

## ORDINARY RESOLUTIONS

"**THAT**:

(a) the following transaction documents (the "**Transaction Documents**"):

(i) the licensing and collaboration agreement dated 21 June 2022 entered into between Green-Life Technology (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, as licensee (the "**Licensee**") and Abcentra LLC as

licensor (the "**Licensor**") (a copy of which has been produced to the EGM and marked "A" and initialled by the chairman of the EGM for the purpose of identification) in relation to commercialization of a monoclonal antibody (i.e. Orticumab) (the "**Technology**") developed by the Licensor for the treatment of atherosclerotic cardiovascular diseases, psoriasis, rheumatoid arthritis, systemic lupus erythematosus and calcified aortic valve diseases;

(ii) the licensing agreement to be entered into between the Licensee and the Licensor (a copy of which has been produced to the EGM and marked "B" and initialled by the chairman of the EGM for the purpose of identification) in relation to the grant of the exclusive and perpetual license of the exclusive and perpetual rights to commercialise the Technology in the People's Republic of China ("**PRC**"), Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand;

(iii) the consultancy agreement to be entered into among the Company, the Licensee and Mr. Wang Minzhi (a copy of which has been produced to the EGM and marked "C" and initialled by the chairman of the EGM for the purpose of identification) in relation to the provision of consultancy services on research and development of the Technology and registration of the product(s) to be developed from the Technology with the relevant regulatory authorities in the PRC to the Company; and

(iv) the consultancy agreement to be entered into among the Company, the Licensee and Dr. Gao Gui (together with Mr. Wang Minzhi, as "**Consultants**") (a copy of which has been produced to the EGM and marked "D" and initialled by the chairman of the EGM for the purpose of identification) in relation to the provision of consultancy services on research and development of the Technology and registration of the product(s) to be developed from the Technology with the relevant regulatory authorities in the PRC to the Company (the Transaction Documents referred to in (iii) and (iv) collectively as "**Consultancy Agreements**");

and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) subject to the fulfilment of the conditions precedent of the issuance of Consideration Shares (as defined below), the directors of the Company (each a "**Director**") be and are hereby granted a specific mandate to allot and issue 473,186,591 new ordinary shares in the share capital of the Company (each a "**Consideration Share**") at the issue price of HK$0.20 per Consideration Share to the Consultants as consideration for the consultancy services pursuant to the terms and conditions of the Consultancy Agreements;

(c) any one or more Director(s) be and is/are hereby authorised for and on behalf of the Company to execute all such documents (including under seal, where applicable), to do all other acts and things deemed by him/them to be incidental to, ancillary to or in connection with the matter contemplated in and completion of the Transaction Documents, and take such action as may in the opinion of the Director(s) be necessary, desirable or expedient to implement and give effect to or in connection with the Transaction Documents and any other transactions contemplated under Transaction Documents, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof) as is/are, in the opinion of such Director(s) or the duly authorised committee of the board of Directors, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 23 August 2022

*Notes:*

1. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority shall be delivered to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the EGM at which the person named in the instrument proposes to vote or any adjourned thereof (as the case may be).

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. The transfer books and register of members will be closed from Wednesday, 7 September 2022 to Tuesday, 13 September 2022, both days inclusive, for the purpose of ascertaining shareholder's entitlement to attend and vote at the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 6 September 2022.

5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.