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 AGREEMENT;

AND

(3) BUSINESS UPDATES IN RELATION TO THE FRAMEWORK AGREEMENT AND POTENTIAL DISPOSAL

THE LICENSING OF COMMERCIALISATION RIGHTS

The Board is pleased to announce that on 21 June 2022, the Licensee, a wholly-owned subsidiary of the Company, has 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 successful development of Orticumab shall have a potential significant market in the PRC. Orticumab will be commercialised in the Territories by leveraging on the Company's existing drug sales and distribution network and experience. The Licensing & Collaboration Agreement will also facilitate the fulfillment of the requirement on the Company to actively promote and introduce innovative drugs under the Framework Agreement (details below), which is a part of the Group's plan in restructuring its business.

THE 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 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.

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.

GENERAL INFORMATION

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

The Company will despatch the Circular in accordance with the Listing Rules, which will contain, among other things, (i) further details on the Transaction Documents and the transactions contemplated thereunder; (ii) the valuation report of the Commercialisation Rights; (iii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; and (iv) a notice convening the EGM as well as other information required to be disclosed under the Listing Rules. It is expected the Circular will be despatched to the Shareholders on or before 13 July 2022.

BUSINESS UPDATES IN RELATION TO THE FRAMEWORK AGREEMENT AND THE POTENTIAL DISPOSAL

Reference is made to the announcements of the Company dated 20 April 2022, 17 May 2022 and 14 June 2022.

The Framework Agreement

On 29 April 2022, the Company entered into the Framework Agreement with the Municipal Government.

The PRC Government has been emphasising the modernisation of the health and welfare system of China and has recently introduced the "14th Five-Year" Development Plan to encourage the development of new technology in the pharmaceutical industry. The Framework Agreement with the Municipal Government is considered as one of the many implementation steps of such policy of the PRC Government. Given the excellent business environment and the beautiful and healthy community of the High-tech Zone, and the investment promotion of the Municipal Government, the Company entered into the Framework Agreement with the Municipal Government to set up the JV Co, an integrated biotechnology and pharmaceutical company specialised in research and development, production, sales and services.

Pursuant to the Framework Agreement, the Municipal Government intends to invest into various research and development projects of the Company. In particular, (i) the Company intends to set up the JV Co, which will invest in assets and technologies including (a) global first class biological new drugs; (b) certain drug license rights; and (c) psychiatric artificial intelligence screening technology, and is expected to be a subsidiary of the Company, with the Municipal Government in the High-tech Zone as its new headquarter and relocate the Company's existing manufacturing capacity to the JV Co; (ii) the Municipal Government intends to provide a parcel of land in the High-tech Zone for the establishment of plants and facilities to be used by the JV Co; (iii) the Municipal Government also intends to provide funds of approximately RMB200 million for the establishment of plants and facilities be used by the JV Co; and (iv) the Municipal Government or its designated platform shall invest approximately RMB300 million into the JV Co to take up not more than 15% equity interest in the JV Co with an exit period of three years.

The implementation and materialisation of the Framework Agreement is subject to the terms and conditions of the definitive joint venture agreement and the Licensing Completion. The completion of the establishment of the JV Co shall be subject to the fulfillment of the conditions precedent set forth in the definitive joint venture agreement which include, but without limitation to, the approval of the Shareholders at a Shareholders' meeting.

The Potential Disposal

The Board is also pleased to announce that 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.

The Disposal Agreement is a part of the Group's plan in restructuring its business. Pursuant to the Framework Agreement, the Municipal Government intends to provide, among other things, a parcel of land for the establishment of manufacturing plants and facilities to be used by the JV Co. The aforesaid land will allow the Group to relocate its headquarter and manufacturing capacity to the JV Co in the High-tech Zone and realise the value of the assets in Suzhou currently held by Suzhou First. The proceeds from the Potential Disposal can provide additional capital to ease the debt burden currently borne by the Group.

As at the date of this announcement, the material terms of the Potential Disposal have been principally agreed, but no definitive agreement has been entered into, by the Group regarding the Potential Disposal. Should the Potential Disposal be materialised, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcements in relation to the Potential Disposal and obtain Shareholders' approval in compliance with the Listing Rules as and when appropriate.

The Licensing of the Commercialisation Rights, the Potential Disposal (if materialised) and the Framework Agreement (if materialised) would be a restructuring of the business of the Group. The Directors are of the view that such restructuring will improve the liquidity position of the Group significantly and thereby taking the Group to enter a new chapter of its journey to become a success story in the pharmaceutical industry.

WARNINGS

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

(A) THE LICENSING OF THE COMMERCIALISATION RIGHTS

Reference is made to the Announcements, the Board is pleased to announce that on 21 June 2022, the Licensee, a wholly-owned subsidiary of the Company, has 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 "Scope of consultancy service" in this announcement, 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 80.4 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 "Consultancy service fee" in this announcement, 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 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 "(D) Reasons for and benefits of the Licensing & Collaboration Agreement" in this announcement; and (iii) the benefits and synergies that are expected to be brought to the Group as a result of the Licensing & Collaboration Agreement, as described in the section headed "(D) Reasons for and benefits of the Licensing & Collaboration Agreement" in this announcement.

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 approximately HK$0.2 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 value of the Commercialisation Rights will increase substantially and exceed the total amount of 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 Company 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 Company's research and development team that develops the Technology have competent efficiency in future clinical trials;

3. It is assumed that the Company 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 Company 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 I to this announcement 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 II to this announcement for the purpose under Rule 14.62(3) of the Listing Rules.

Experts and consent

The following are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement:

Each of the experts has provided and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name in the context.

Name	*Qualification*
Moore Stephens CPA Limited	Certified public accountants
CHFT Advisory and Appraisal Ltd.	Certified assets valuer

As at the date of this announcement, to the best knowledge of the Directors, none of the experts had any beneficial interests in the share capital of the Company and its subsidiaries, nor did they have any right (whether legally enforceable or not) to subscribe for or nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities with voting rights of the Company and its subsidiaries.

Each of the experts has provided and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name in the context.

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.

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.

(B) 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 the 249 patients in the three clinical trials which showed satisfactory safety and tolerability data and there were no drug-related serious adverse events have been reported during the trials. It is estimated that the expected research and development expenses for commercialisation of the Technology for each applicable disease 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

As of the date of this announcement, the progress of the development of the Technology is 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 First posted: 2 March 2021 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 First posted: 7 December 2011 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
FDA	NCT01258907	Recruitment status: Completed First posted: 13 December 2010 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

Given the research and development timetable of the Product for treating atherosclerotic cardiovascular diseases has been practically determined and the research and development timetables for other indications are still uncertain as at the date of this announcement, 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

(C) INFORMATION ON THE PARTIES TO THE LICENSING & COLLABORATION AGREEMENT

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.

(D) 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 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 comprises (a) the 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; and (b) the artificial intelligence drug algorithm engineering team, who has the ability of utilising the third-generation artificial intelligence drug discovery system that can be combined with deep learning, and a computing platform with tens of billions of virtual screening capabilities of various molecular forms, which can be used to screen candidate drugs, so as to improve the success rate of new drug research and development, reduce research and development costs and shorten the research and development time of new drugs.

The Technical Team has rich industry experience and familiarity 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 similar drugs 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 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.

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.

(E) CONSULTANCY AGREEMENTS

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.

To the best of the Directors' knowledge, information and belief, there is no side arrangement, understanding or agreement between the Licensor and 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).

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 Company.

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 "**Services**")

whereby the Consultant as requested by the Company 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 Company, 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 date of this announcement; 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:

(a) 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 this announcement;

(b) 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 this announcement; and

(c) 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 this announcement.

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 be paying any other type of remunerations to the Consultants for their Consultancy Services during the term of the Consultancy Agreements.

When determining the amount of 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; (ii) the respective experience and the last positions held by the Consultants with the Licensor; and (iii) the intended roles of the Consultants in facilitating the commercialisation of the Technology.

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 with FDA and responding to enquiries from FDA, and research on drug registration and regulations. Whereas, during Mr. 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. Going forward, the Company intends that Mr. Wang shall be the lead Consultant, 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, whereas Dr. Gao shall be responsible for assisting with further development and application of the Technology.

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 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 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 that are not subject to the abovementioned lock-up 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 interests 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 Licensee and the Licensor.

Based on the above, the Directors are of the view that the issue of the 157,728,863 Consideration Shares as commission to the Consultants are 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.

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

The existing shareholding structure 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 date of this announcement		**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 the date of the announcement) 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.

(G) LISTING RULES IMPLICATIONS ON THE LICENSING & COLLABORATION AGREEMENT

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 resolution(s) to approve the Transaction Documents and the transactions contemplated thereunder.

(H) GENERAL INFORMATION

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

The Company will despatch the Circular in accordance with the Listing Rules, which will contain, among other things, (i) further details on the Transaction Documents and the transactions contemplated thereunder; (ii) the valuation report of the Commercialisation Rights; (iii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; and (iv) a notice convening the EGM as well as other information required to be disclosed under the Listing Rules. It is expected the Circular will be despatched to the Shareholders on or before 13 July 2022.

(I) BUSINESS UPDATES

Reference is made to the Announcements.

The Framework Agreement

On 29 April 2022, the Company entered into the Framework Agreement with the Municipal Government.

The PRC Government has been emphasising the modernisation of the health and welfare system of China and has recently introduced the "14th Five-Year" Development Plan to encourage the development of new technology in the pharmaceutical industry. The Framework Agreement with the Municipal Government is considered as one of the many implementation steps of such policy of the PRC Government. Given the excellent business environment and the beautiful and healthy community of the High-tech Zone, and the investment promotion of the Municipal Government, the Company entered into the Framework Agreement with the Municipal Government to set up the JV Co, an integrated biotechnology and pharmaceutical company specialised in research and development, production, sales and services.

Pursuant to the Framework Agreement, the Municipal Government intends to invest into various research and development projects of the Company. In particular, (i) the Company intends to set up the JV Co, which will invest in assets and technologies including (a) global first class biological new drugs; (b) certain drug license rights; and (c) psychiatric artificial intelligence screening technology, and is expected to be a subsidiary of the Company, with the Municipal Government in the High-tech Zone as its new headquarter and relocate the Company's existing manufacturing capacity to the JV Co; (ii) the Municipal Government intends to provide a parcel of land in the High-tech Zone for the establishment of plants and facilities to be used by the JV Co; (iii) the Municipal Government also intends to provide funds of approximately RMB200 million for the establishment of plants and facilities be used by the JV Co; and (iv) the Municipal Government or its designated platform shall invest approximately RMB300 million into the JV Co to take up not more than 15% equity interest in the JV Co with an exit period of three years.

The implementation and materialisation of the Framework Agreement is subject to the terms and conditions of the definitive joint venture agreement and the Licensing Completion. The completion of the establishment of the JV Co shall be subject to the fulfillment of the conditions precedent set forth in the definitive joint venture agreement which include, but without limitation to, the approval of the Shareholders at a Shareholders' meeting.

The Potential Disposal

The Board is also pleased to announce that 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.

The Disposal Agreement is a part of the Group's plan in restructuring its business. Pursuant to the Framework Agreement, the Municipal Government intends to provide, among other things, a parcel of land for the establishment of manufacturing plants and facilities to be used by the JV Co. The aforesaid land will allow the Group to relocate its headquarter and manufacturing capacity to the JV Co in the High-tech Zone and realise the value of the assets in Suzhou currently held by Suzhou First. The proceeds from the Potential Disposal can provide additional capital to ease the debt burden currently borne by the Group.

As at the date of this announcement, the material terms of the Potential Disposal have been principally agreed, but no definitive agreement has been entered into by the Group regarding the Potential Disposal. Should the Potential Disposal be materialised, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcements in relation to the Potential Disposal and obtain Shareholders' approval in compliance with the Listing Rules as and when appropriate.

Future business development

Save as disclosed in the Announcements and this announcement, the Board confirms that no agreement and arrangement that was entered into by the Group, nor is there any understanding and intention, nor is the Company in negotiation in relation to any disposal, termination or scaling down of the Company's existing business.

(J) WARNINGS

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

(K) DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"Announcements"	the announcements of the Company dated 20 April 2022, 17 May 2022 and 14 June 2022;
"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;
"Circular"	the circular in respect of the Transaction Documents and the transactions contemplated thereunder to be despatched to the Shareholders;
"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);
"Commercialisation Rights"	the exclusive and perpetual rights to commercialise the Technology in the Territories;
"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;
"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 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;
"Issuance Conditions Precedent"	the conditions precedents of the issuance of Consideration Shares as set out in the sub-section headed "Conditions precedent of the issuance of Consideration Shares" in this announcement;
"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;
"License"	the exclusive and perpetual license of the Commercialisation Rights irrevocably granted to the Licensee under the Licensing Agreement on the License Effective Date;

"Licensee"	Green-Life Technology (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company;
"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 "License Fees" in this announcement;
"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;
"Licensing Conditions Precedent"	the conditions precedents of the Licensing Agreement as set out in the sub-section headed "Conditions precedent of the Licensing & Collaboration Agreement" in this announcement;
"Licensing Long Stop Date"	has the meaning ascribed to it under sub-section headed "Conditions precedent of the Licensing & Collaboration Agreement" in this announcement;
"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, USA 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;
"Product(s)"	the product(s) to be developed from the Technology;
"Profit Forecast"	has the meaning ascribed to it under sub-section headed "Compliance with the Listing Rules";
"Registration Approval"	has the meaning ascribed to it under sub-section "License Fees and royalties";
"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 and artificial intelligence drug algorithm engineering team;
"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.

For the purpose of this announcement, 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.

* *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.*

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

Hong Kong, 21 June 2022

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

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

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

To: The Stock Exchange of Hong Kong Limited

Dear Sir/Madam,

Company: China NT Pharma Group Company Limited (the "**Company**")

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