華坊 CHFT 諮詢評估有限公司 ADVISORY AND APPRAISAL LTD.

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.