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东曜药业

TOT BIOPHARM International Company Limited

東曜藥業股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1875)

CONNECTED TRANSACTIONS IN RELATION TO EQUITY TRANSFERS INVOLVING A SUBSIDIARY AND A JOINT VENTURE OF THE COMPANY

INTRODUCTION

Reference is made to (i) the November 2021 Announcement in relation to the establishment of Huayao, which is a joint venture formed among Yaozhan (a direct subsidiary of the Company), CR Pharma & Commercial and Suzhou Huayao Yuan; and (ii) the January 2022 Announcement in relation to the capital injection by Vivo Capital Fund VIII into Yaozhan by way of subscription for new registered capital amounting to USD500,000, which has since been fully paid up.

The Board is pleased to announce that, on 5 January 2023, Vivo Capital Fund VIII, the Company and Yaozhan entered into the Equity Transfer Agreement, pursuant to which the parties agreed to carry out the Equity Transfers, specifically that (i) Vivo Capital Fund VIII agreed to transfer the entirety of its fully paid-up registered capital in Yaozhan amounting to USD500,000 to the Company; and (ii) Yaozhan agreed to transfer part of its partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) to Vivo Capital Fund VIII.

Upon the completion of the Equity Transfers, Vivo Capital Fund VIII will no longer be a minority shareholder of Yaozhan and will instead become a minority shareholder of Huayao.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

5 January 2023

Parties

- (1) Vivo Capital Fund VIII
- (2) The Company
- (3) Yaozhan

The First Equity Transfer

Pursuant to the First Equity Transfer, Vivo Capital Fund VIII agreed to transfer the entirety of its fully paid-up registered capital in Yaozhan amounting to USD500,000 to the Company, and the Company agreed to take up such registered capital from Vivo Capital Fund VIII, for a cash consideration of USD500,000 (i.e. the First Consideration). The First Consideration was determined after arm's length negotiations between Vivo Capital Fund VIII and the Company with reference to the paid-up amount of the registered capital in Yaozhan being transferred, and is equal to the amount of capital injection by Vivo Capital Fund VIII into Yaozhan as disclosed in the January 2022 Announcement.

Promptly after the signing of the Equity Transfer Agreement, Vivo Capital Fund VIII and the Company shall carry out all administrative procedures required for the First Equity Transfer and the payment of the First Consideration (including but not limited to registrations of alteration with market regulation administration authorities, tax authorities and foreign exchange administration authorities). The Company shall pay the First Consideration to Vivo Capital Fund VIII within 10 days after the completion of such administrative procedures.

The completion of the First Equity Transfer shall take place on the date of the completion of the corresponding registration of alteration with the relevant market regulation administration authorities.

The Second Equity Transfer

Pursuant to the Second Equity Transfer, Yaozhan agreed to transfer part of its partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) to Vivo Capital Fund VIII, and Vivo Capital Fund VIII agreed to take up such registered capital from Yaozhan, for a cash consideration of RMB3,000,000 (i.e. the Second Consideration). The Second Consideration was determined after arm's length negotiations between Yaozhan and Vivo Capital Fund VIII with reference to the paid-up amount of the registered capital in Huayao being transferred.

Within 10 days after the taking place of both the receipt of the First Consideration and the completion of the Second Equity Transfer, Yaozhan shall, and shall procure Huayao to, carry out all administrative procedures required for the payment of the Second Consideration (including but not limited to tax filing, tax payment (if needed) and foreign exchange registration). Vivo Capital Fund VIII shall pay the Second Consideration to Yaozhan within such 10-day period.

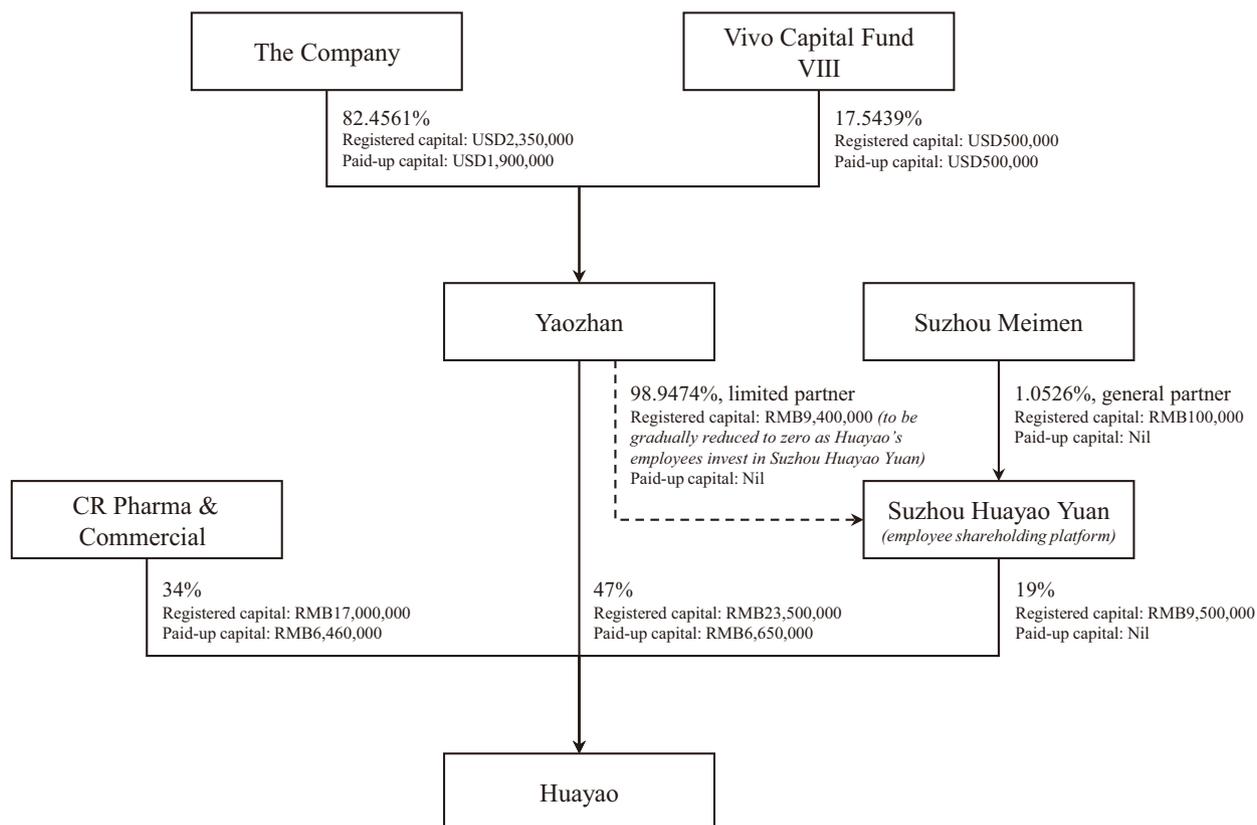
The completion of the Second Equity Transfer shall take place on the date of the completion of the corresponding registration of alteration with the relevant market regulation administration authorities.

As at the date of this announcement, Yaozhan holds registered capital in Huayao totaling RMB23,500,000 (of which RMB6,650,000 has been paid up). Prior to the completion of the Second Equity Transfer, Yaozhan shall pay up another RMB3,000,000 of such registered capital. As such, upon the completion of the Second Equity Transfer, Yaozhan will hold registered capital in Huayao totaling RMB17,500,000 (of which RMB6,650,000 will have been paid up).

SHAREHOLDING STRUCTURES AMONG THE PARTIES BEFORE AND AFTER THE EQUITY TRANSFERS

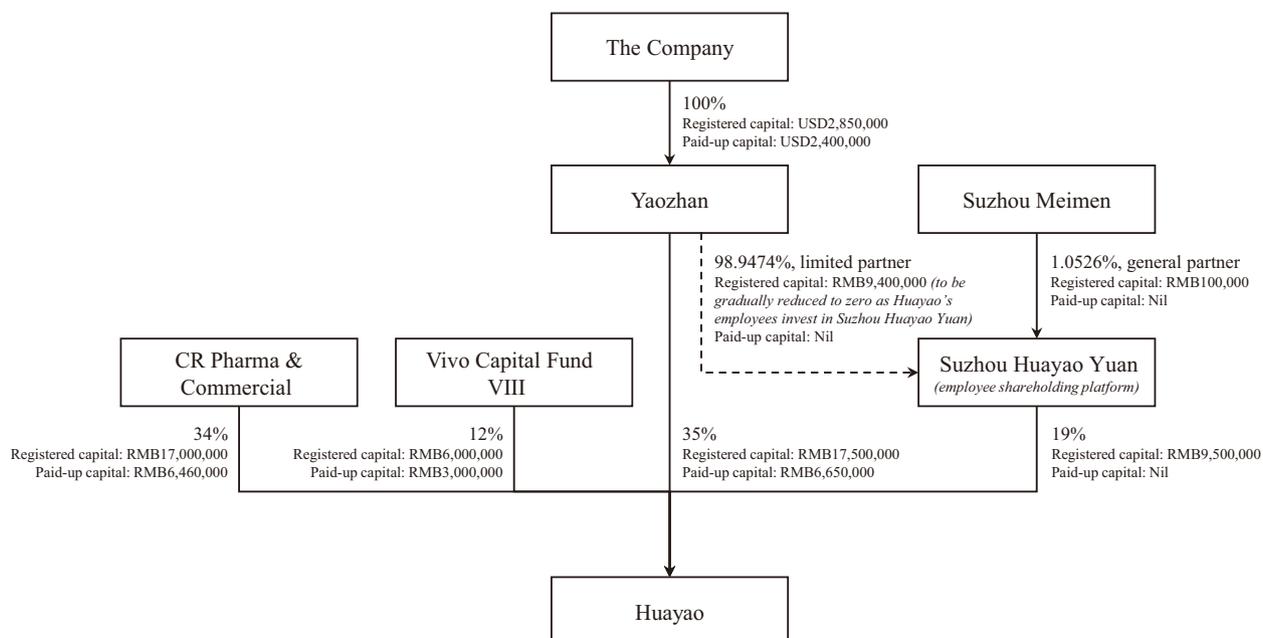
As at the Date of this Announcement

The diagram below sets forth the shareholding structure among the parties as at the date of this announcement:



Immediately upon Completion of the Equity Transfers

The diagram below sets forth the expected shareholding structure among the parties immediately upon completion of the Equity Transfers:



REASONS FOR AND BENEFITS OF THE EQUITY TRANSFERS

As explained in the November 2021 Announcement, Huayao is a pharmaceutical sales company intended to be principally engaged in the promotion and sales of innovative oncology drugs and the provision of professional medical services to cancer patients and oncology medical professionals, and the establishment of Huayao as a joint venture of the Group is expected to further optimize the Group's organizational structure by integrating its human resources and controlling the sales and marketing expenses in a reasonable manner.

As explained in the January 2022 Announcement, the capital injection by Vivo Capital Fund VIII into Yaozhan amounting to USD500,000 is expected to be used to support and develop Yaozhan's and Huayao's operations, thereby promoting the development of the Group's business in the sales and marketing of innovative anti-tumor drugs. Such capital injection has since been fully paid up.

In light of the internal policy requirements of Vivo Capital LLC and funds managed by it, Vivo Capital Fund VIII was previously unable to directly invest in Huayao upon its establishment in November 2021, but instead had to inject capital into Yaozhan in 2022 as the first step of Vivo Capital LLC's intended participation in and support for Huayao's operations.

Upon the completion of the Equity Transfers, Vivo Capital Fund VIII will no longer be a minority shareholder of Yaozhan and will instead become a minority shareholder of Huayao. This is intended to rationalize Yaozhan's and Huayao's shareholding structures and is expected to bring about the following benefits to the Group:

- (1) Vivo Capital Fund VIII will be able to directly participate in Huayao's deliberation and decision-making process, thereby allowing Vivo Capital LLC to make better use of its expertise and experience in the healthcare sector to promote the development of Huayao's pharmaceutical sales operations, which will in turn benefit the Group as Huayao's financial results are currently and will continue to be accounted for in the Group's consolidated financial statements using the equity method;
- (2) all investors of Huayao (including Yaozhan, CR Pharma & Commercial, Vivo Capital Fund VIII, and Suzhou Huayao Yuan (representing Huayao's employees)) will hold their respective equity interests in Huayao at the same level (i.e. directly at the level of Huayao), thereby expediting Huayao's deliberation and decision-making process and facilitating the Group's accounting and financial management; and
- (3) with Vivo Capital Fund VIII no longer being a shareholder of Yaozhan, Yaozhan will become wholly owned by the Company and will cease to be a connected subsidiary and hence connected person of the Company pursuant to Rules 14A.07(5) and 14A.16 of the Listing Rules, thereby facilitating the Group's connected transaction management.

Both the First Consideration of USD500,000 payable by the Group and the Second Consideration of RMB3,000,000 receivable by the Group are equal to the respective paid-up amounts of the registered capital being transferred, and these two amounts will largely offset each other.

Based on the above and also the section headed "Financial Effects of the Equity Transfers" below, the Directors (including the independent non-executive Directors, but excluding Mr. Fu, Shan who has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Equity Transfers) consider that the terms of the Equity Transfer Agreement and the Equity Transfers are fair and reasonable, and that the Equity Transfers, although not in the ordinary and usual course of business of the Group, are on normal commercial terms and are in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on public information, as at the date of this announcement, Vivo Capital Fund VIII, Vivo Capital Surplus Fund VIII, L.P. and Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership)* (維梧(蘇州)健康產業投資基金(有限合夥)), all of which have the same ultimate fund manager (i.e. Vivo Capital LLC), in aggregate hold approximately 28.40% of the total issued share capital of the Company. As such, Vivo Capital Fund VIII is a substantial shareholder of the Company, and is hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Also, as at the date of this announcement, Vivo Capital Fund VIII holds approximately 17.54% equity interest in Yaozhan. As such, Yaozhan is a connected subsidiary and hence connected person of the Company pursuant to Rules 14A.07(5) and 14A.16 of the Listing Rules. Therefore, the Equity Transfers constitute connected transactions of the Company.

Upon the completion of the Equity Transfers, the Company's percentage shareholding in Yaozhan will increase from approximately 82.46% to 100%, whilst Yaozhan's percentage shareholding in Huayao will decrease from 47% to 35%. As such, the Equity Transfers technically constitute the Group's acquisition of approximately 17.54% equity interest in Yaozhan and disposal of 12% equity interest in Huayao. Aggregating (i) the capital injection by Vivo Capital Fund VIII into Yaozhan and the resultant deemed disposal as disclosed in the January 2022 Announcement; (ii) the First Equity Transfer; and (iii) the Second Equity Transfer, the highest applicable percentage ratio (as defined under Rules 14.04(9), 14A.77 and 14A.81 of the Listing Rules) is 0.1% or more but is less than 5%. As such, the Equity Transfers are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but are nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Mr. Fu, Shan, a non-executive Director, represents Vivo Capital Fund VIII on the Board and is a managing member of Vivo Capital Fund VIII's general partner. As such, he is considered to have a material interest in the Equity Transfer Agreement and the Equity Transfers and has accordingly abstained from voting on the Board resolution approving the same. Save as the aforesaid, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors has a material interest in the Equity Transfer Agreement and the Equity Transfers.

FINANCIAL EFFECTS OF THE EQUITY TRANSFERS

As explained in the section headed "Reasons for and Benefits of the Equity Transfers" above, the First Consideration of USD500,000 payable by the Group and the Second Consideration of RMB3,000,000 receivable by the Group will largely offset each other. Therefore, subject to the prevailing USD-RMB exchange rates when each of the First Consideration and the Second Consideration is paid, the Equity Transfers as a whole are not expected to result in any significant net cash inflow to or outflow from the Group.

As explained in the section headed "Listing Rules Implications" above, the Equity Transfers technically constitute the Group's acquisition of approximately 17.54% equity interest in Yaozhan and disposal of 12% equity interest in Huayao. Because (i) the payment of the First Consideration and the receipt of the Second Consideration will largely offset each other; (ii) both the First Equity Transfer and the Second Equity Transfer merely pertain to minority equity interests; (iii) the First Equity Transfer and the Second Equity Transfer are directionally opposite to each other; and (iv) Yaozhan's and Huayao's scale of assets and operations are relatively limited at present, the Equity Transfers as a whole are not expected to result in any significant profit and loss impact on the Group.

INFORMATION ON THE PARTIES

About the Company and Yaozhan

The Company is an investment holding company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange (stock code: 1875). The Group is principally engaged in research and development, manufacturing, and marketing of oncology drugs in the PRC.

As at the date of this announcement, Yaozhan is a direct non-wholly-owned subsidiary of the Company and does not have any significant assets and operations other than its holding of equity interest in Huayao, whilst Huayao is a joint venture of the Group accounted for using the equity method. For details of Yaozhan and Huayao, please refer to the sections headed “Shareholding Structures among the Parties before and after the Equity Transfers” and “Reasons for and Benefits of the Equity Transfers” above.

About Vivo Capital Fund VIII

Vivo Capital Fund VIII is a limited partnership organized in the State of Delaware of the United States, which has been a shareholder of the Company since December 2015. Vivo Capital Fund VIII is one of the funds managed by Vivo Capital LLC, which is an investment adviser registered with the United States Securities and Exchange Commission. Spanning private equity, public equity and venture capital, Vivo Capital LLC is a global healthcare investment firm that focuses on finding and building value in healthcare companies in the United States and Greater China. In terms of assets under management (AUM), as of 31 December 2021, Vivo Capital LLC managed over USD6.4 billion in client assets on a discretionary basis.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose shares are listed on the Stock Exchange (stock code: 1875)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“connected subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“CR Pharma & Commercial”	China Resources Pharmaceutical and Commercial Group International Trade Company Limited* (華潤醫藥商業集團國際貿易有限公司), a company incorporated in the PRC with limited liability on 4 February 1999, which is a subsidiary of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) whose shares are listed on the Stock Exchange (stock code: 3320)
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 5 January 2023 entered into among Vivo Capital Fund VIII, the Company and Yaozhan in relation to the Equity Transfers
“Equity Transfers”	collectively, the First Equity Transfer and the Second Equity Transfer
“First Consideration”	the cash consideration of USD500,000 to be paid by the Company to Vivo Capital Fund VIII
“First Equity Transfer”	the transfer of fully paid-up registered capital in Yaozhan amounting to USD500,000 by Vivo Capital Fund VIII to the Company for the First Consideration
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huayao”	Huayao Pharmaceutical (Suzhou) Company Limited* (華曜醫藥(蘇州)有限公司), a company incorporated in the PRC with limited liability on 23 November 2021
“January 2022 Announcement”	the Company’s announcement dated 7 January 2022 in relation to the capital injection by Vivo Capital Fund VIII into Yaozhan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“November 2021 Announcement”	the Company’s announcement dated 23 November 2021 in relation to the establishment of Huayao by Yaozhan, CR Pharma & Commercial and Suzhou Huayao Yuan
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan regions
“RMB”	Renminbi, the lawful currency of the PRC
“Second Consideration”	the cash consideration of RMB3,000,000 to be paid by Vivo Capital Fund VIII to Yaozhan
“Second Equity Transfer”	the transfer of partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) by Yaozhan to Vivo Capital Fund VIII for the Second Consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Suzhou Huayao Yuan”	Suzhou Huayao Yuan Consultancy Management Partnership (Limited Partnership)* (蘇州華曜員諮詢管理合夥企業(有限合夥)), a limited partnership established in the PRC on 10 August 2021, which is an employee shareholding platform of Huayao
“Suzhou Meimen”	Suzhou Meimen Consulting Management Company Limited* (蘇州美門諮詢管理有限責任公司), a company incorporated in the PRC with limited liability on 26 July 2021, which is a general partner of Suzhou Huayao Yuan
“United States”	the United States of America
“USD”	United States dollar(s), the lawful currency of the United States
“Vivo Capital Fund VIII”	Vivo Capital Fund VIII, L.P., a limited partnership organized in the State of Delaware of the United States on 17 December 2014
“Vivo Capital LLC”	Vivo Capital LLC, a limited liability company incorporated in the State of California of the United States on 29 June 2005

“Yaozhan”

Yaozhan Pharmaceutical Jiangsu Co., Ltd.* (曜展醫藥江蘇有限公司), a company incorporated in the PRC with limited liability on 13 May 2021, which is a direct non-wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent

By order of the Board
TOT BIOPHARM International Company Limited
Dr. Liu, Jun
Chief Executive Officer and Executive Director

Hong Kong, 5 January 2023

As at the date of this announcement, the executive Director of the Company is Dr. Liu, Jun; the non-executive Directors of the Company are Mr. Fu, Shan, Ms. Yeh-Huang, Chun-Ying and Mr. Qiu, Yu Min; and the independent non-executive Directors of the Company are Ms. Hu, Lan, Mr. Chang, Hong-Jen and Dr. Wang, De Qian.

* *For identification purpose only*