
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in TOT BIOPHARM International Company Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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 INVOLVING SUBSCRIPTION
BY TWO CONNECTED PERSONS FOR NEW SHARES
TO BE ISSUED UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company

ICBC  工银国际

**Independent Financial Adviser to the Independent Board Committee
and**

the Independent Shareholders

 **中毅資本有限公司**
Grand Moore Capital Limited

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee is set out on page 22 of this circular. A letter from the Independent Financial Adviser is set out on pages 23 to 43 of this circular.

A resolution will be proposed at the Extraordinary General Meeting of the Company to be held on Friday, 22 July 2022 at 11:00 a.m. with the combination of a physical meeting at Unit 1603-1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong and a virtual meeting online or any adjournment thereof to approve the matters referred to in this circular.

The notice convening the Extraordinary General Meeting together with the form of proxy for use at the meeting are enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Tricor Investor Services Limited, the Company's share registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for holding the meeting (i.e. not later than 11:00 a.m. on Wednesday, 20 July 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish. If you attend and vote at the Extraordinary General Meeting, the authority of your proxy will be revoked.

In light of the epidemic situation of COVID-19 and to safeguard Shareholders' health and safety, the Company encourages Shareholders to consider joining the Extraordinary General Meeting through the Internet and voting online, or appointing the chairman of the Extraordinary General Meeting as their proxy to vote on the resolution, instead of attending the meeting in person. The Directors may attend the meeting remotely through video or telephone conference facilities.

The Company will take all practicable precautions to ensure the health and safety of Shareholders attending the Extraordinary General Meeting in person, including but not limited to mandatory screening of body temperatures, requiring attendees to bring and wear their own surgical masks, physical distancing, setting up separate rooms or partitioned areas, no food or beverage service, no handing out of gifts, restricting the number of non-Shareholder attendees, and prohibiting persons under quarantine or in contravention of the above precautions from entering the venue. The Company will continue to monitor the epidemic situation of COVID-19 and may alter the Extraordinary General Meeting arrangements at short notice. Shareholders are advised to check any future announcement(s) which may be published by the Company.

5 July 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	22
Letter from the Independent Financial Adviser	23
Appendix — General Information	44
Notice of Extraordinary General Meeting	51

DEFINITIONS

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

“2021 Annual Report”	the 2021 annual report published by the Company on 28 April 2022
“BioEngine Technology”	BioEngine Technology Development Inc. (玉晟管理顧問股份有限公司), a company incorporated in Taiwan with limited liability on 27 September 2007
“Board”	the board of Directors of the Company
“Centerlab”	Center Laboratories, Inc. (晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability on 4 November 1959 whose shares are listed on the Taipei Exchange (stock code: 4123)
“Centerlab Subscription”	the subscription by Centerlab for the Centerlab Subscription Shares pursuant to the Centerlab Subscription Agreement
“Centerlab Subscription Agreement”	the subscription agreement dated 31 May 2022 entered into between the Company and Centerlab in relation to the subscription by Centerlab for the Centerlab Subscription Shares
“Centerlab Subscription Shares”	33,750,000 Subscription Shares subscribed for by Centerlab and to be allotted and issued by the Company pursuant to the Centerlab Subscription Agreement
“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)
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Extraordinary General Meeting”	a hybrid extraordinary general meeting of the Company to be held on Friday, 22 July 2022 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Subscriptions and the allotment and issue of the Subscription Shares with the combination of a physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong and a virtual meeting online or any adjournment thereof, the notice of which is set out on pages 51 to 53 of this circular
“Global Offering”	the initial public offering of the Company which was completed on 8 November 2019
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all three independent non-executive Directors, whose letter of advice in relation to the Subscriptions is set out in the section headed “Letter from the Independent Board Committee” of this circular
“Independent Financial Adviser”	Grand Moore Capital Limited (中毅資本有限公司), a company incorporated in Hong Kong with limited liability on 14 May 2015, which is a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, whose letter of advice in relation to the Subscriptions is set out in the section headed “Letter from the Independent Financial Adviser” of this circular
“Independent Shareholder(s)”	those Shareholders who do not have a material interest in the Centerlab Subscription and/or the Vivo Subscription (as the case may be) and the allotment and issue of the Centerlab Subscription Shares and/or the Vivo Subscription Shares (as the case may be) and are hence not required to abstain from voting on the relevant Shareholders’ resolution at the Extraordinary General Meeting

DEFINITIONS

“Latest Practicable Date”	27 June 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“NT\$”	New Taiwan dollar(s), the lawful currency of Taiwan
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, Macau and Taiwan regions
“Pre-IPO Share Option(s)”	the share option(s) granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 20 February 2013 and subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019
“Prospectus”	the prospectus dated 29 October 2019 published by the Company
“Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020 and 23 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is to be sought by the Company from the Independent Shareholders at the Extraordinary General Meeting

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Centerlab and Vivo Suzhou Fund, or one of them as the context may require
“Subscription Agreement(s)”	the Centerlab Subscription Agreement and the Vivo Subscription Agreement, or one of them as the context may require
“Subscription Price”	HK\$3.15 per Subscription Share, being the subscription price under the Subscriptions
“Subscription Share(s)”	the Centerlab Subscription Shares and the Vivo Subscription Shares, or one of some of such Shares as the context may require
“Subscription(s)”	the Centerlab Subscription and the Vivo Subscription, or one of them as the context may require
“Taipei Exchange”	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
“United States”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the United States
“Vivo Capital LLC”	Vivo Capital LLC, a limited liability company incorporated in the State of California of the United States on 29 June 2005
“Vivo Subscription”	the subscription by Vivo Suzhou Fund for the Vivo Subscription Shares pursuant to the Vivo Subscription Agreement
“Vivo Subscription Agreement”	the subscription agreement dated 31 May 2022 entered into between the Company and Vivo Suzhou Fund in relation to the subscription by Vivo Suzhou Fund for the Vivo Subscription Shares
“Vivo Subscription Shares”	116,250,000 Subscription Shares subscribed for by Vivo Suzhou Fund and to be allotted and issued by the Company pursuant to the Vivo Subscription Agreement

DEFINITIONS

“Vivo Suzhou Fund”	Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) (維梧(蘇州)健康產業投資基金(有限合夥)), a limited partnership organized in the PRC on 26 November 2021
“Vivo VIII Funds”	Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., both of which are limited partnerships organized in the State of Delaware of the United States on 17 December 2014

In this circular, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “core connected person(s)”, “in public hands”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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)

Executive Directors:

Dr. Liu, Jun

(Chief Executive Officer)

Ms. Yeh-Huang, Chun-Ying

(Vice Chairman of the Board)

Non-Executive Directors:

Mr. Fu, Shan (Chairman of the Board)

Mr. Qiu, Yu Min

Independent Non-Executive Directors:

Ms. Hu, Lan

Mr. Chang, Hong-Jen

Dr. Wang, De Qian

Registered Office:

Level 54, Hopewell Centre,

183 Queen's Road East,

Hong Kong

*Headquarters and Principal Place
of Business in the PRC:*

120 Changyang Street,

Suzhou Industrial Park,

Suzhou, PRC

Share Registrar:

Tricor Investor Services Limited

Level 54, Hopewell Centre,

183 Queen's Road East,

Hong Kong

5 July 2022

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION
BY TWO CONNECTED PERSONS FOR NEW SHARES
TO BE ISSUED UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 31 May 2022 titled "Connected Transactions Involving Subscription by Two Investors for New Shares to be Issued under Specific Mandate".

On behalf of the Board, I would like to invite you to attend the Extraordinary General Meeting to be held on Friday, 22 July 2022 at 11:00 a.m. with the combination of a physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong and a virtual meeting online or any adjournment thereof. The purpose of this circular is

LETTER FROM THE BOARD

to give you notice of the Extraordinary General Meeting and to provide you, among other things, information regarding the connected transactions involving subscriptions of new shares under specific mandate, which will be put forward at the Extraordinary General Meeting for the Shareholders' consideration. Such information includes:

- (a) further details of the Subscription Agreements and the respective transactions contemplated thereunder;
- (b) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Subscription Agreements and the connected transactions contemplated thereunder;
- (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the connected transactions contemplated thereunder; and
- (d) other information as required under the Listing Rules.

2. CONNECTED TRANSACTIONS INVOLVING THE SUBSCRIPTIONS

The Board is pleased to announce that, on 31 May 2022 (after trading hours), the Company entered into (i) the Centerlab Subscription Agreement with Centerlab, pursuant to which Centerlab has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 33,750,000 Subscription Shares; and (ii) the Vivo Subscription Agreement with Vivo Suzhou Fund, pursuant to which Vivo Suzhou Fund has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 116,250,000 Subscription Shares, in both cases at the Subscription Price of HK\$3.15 per Subscription Share.

The Subscription Agreements

Date

31 May 2022

Parties

- | | |
|---------------------------------------|--|
| The Centerlab Subscription Agreement: | (1) The Company as the issuer |
| | (2) Centerlab as the subscriber |
| The Vivo Subscription Agreement: | (1) The Company as the issuer |
| | (2) Vivo Suzhou Fund as the subscriber |

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Centerlab Subscription Agreement, Centerlab has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 33,750,000 Subscription Shares.

Pursuant to the Vivo Subscription Agreement, Vivo Suzhou Fund has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 116,250,000 Subscription Shares.

The aggregate of 150,000,000 Subscription Shares represent (i) approximately 24.38% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.60% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Subscription Shares, assuming that no new Shares other than the Subscription Shares will be allotted and issued by the Company in the interim.

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with all other existing Shares outstanding on the date of such allotment and issue.

Subscription Price

The Subscription Price is HK\$3.15 per Subscription Share, which:

- (a) is equal to the closing price of HK\$3.15 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements (i.e. 31 May 2022);
- (b) represents a premium of approximately 4.79% over the average closing price of HK\$3.006 per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the Subscription Agreements (i.e. 24, 25, 26, 27 and 30 May 2022);
- (c) represents a premium of 5% over the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date (i.e. 27 June 2022); and
- (d) represents a premium of approximately 367% over the unaudited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.674 (being (x) the unaudited consolidated net asset value of the Group of approximately RMB336.18 million (equivalent to approximately HK\$414.52 million based on the interbank foreign exchange market middle exchange rate published by the China Foreign Exchange Trade System (中國外匯交易中心) under the authorization of the People's Bank of China (中國人民銀行) on 31 March 2022 of HK\$1 to RMB0.81101) as set out in the announcement of the Company dated 12 May 2022, divided by (y) 615,229,497 Shares outstanding as at 31 March 2022).

The Subscription Price was determined after arm's length negotiations between the Company and each of Centerlab and Vivo Suzhou Fund primarily with reference to the prevailing market prices of the Shares. The Directors (including the independent

LETTER FROM THE BOARD

non-executive Directors) consider that the premium of the Subscription Price over the aforesaid latest net asset value per Share is fair and reasonable given the magnitude of the premium.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscriptions are fair and reasonable under the current market conditions and are in the best interests of the Company and the Shareholders as a whole, and that the Subscription Agreements are entered into upon normal commercial terms.

Conditions Precedent

Under each Subscription Agreement, the subscription by the relevant Subscriber for, and the allotment and issue by the Company of, the relevant Subscription Shares are conditional upon the satisfaction (or if applicable, waiver) of the following conditions precedent:

- (a) the Independent Shareholders having approved the relevant Subscription and the allotment and issue of the relevant Subscription Shares;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the relevant Subscription Shares as well as any other applicable waivers and approvals and such approval, permission or waiver not having been revoked prior to the allotment and issue of the relevant Subscription Shares;
- (c) (under the Vivo Subscription Agreement only) Vivo Suzhou Fund having completed all registrations and filings with the Asset Management Association of China (中國證券投資基金業協會) for the establishment of Vivo Suzhou Fund as a Renminbi fund;
- (d) (under the Vivo Subscription Agreement only) Vivo Suzhou Fund having obtained all relevant approvals from and/or filings with the National Development and Reform Commission (國家發展和改革委員會), the Ministry of Finance (財政部) and the Ministry of Commerce (商務部) of the PRC and/or the competent local counterparts, as well as the relevant approvals and consents from the State Administration of Foreign Exchange (國家外匯管理局) of the PRC and the related foreign exchange bank, as required for Vivo Suzhou Fund's subscription for the Vivo Subscription Shares and consummation of the transactions under the Vivo Subscription Agreement as an outbound investment by a "domestic institution" (境內機構) under relevant PRC laws, regulations and rules;
- (e) (under the Vivo Subscription Agreement only) Vivo Suzhou Fund's investment committee, limited partners advisory committee and/or other similar governing body having approved the execution of the Vivo Subscription Agreement and the consummation of the transactions thereunder and such approval not having been rescinded, revoked or materially amended;
- (f) completion of the Centerlab Subscription and completion of the Vivo Subscription taking place simultaneously;

LETTER FROM THE BOARD

- (g) no laws, regulations, rules or the like having been enacted or promulgated by any governmental, regulatory or administrative authority which prohibit completion of the relevant Subscription and there not being any orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting completion of the relevant Subscription; and
- (h) the representations, warranties, undertakings and confirmations of the relevant Subscriber under the relevant Subscription Agreement being accurate and true in all respects and not misleading and that there being no material breach of the relevant Subscription Agreement on the part of the relevant Subscriber.

Except for condition precedent set forth in paragraph (h) above which may be waived by the Company, all of the conditions precedent set forth above may not be waived by any party to each Subscription Agreement.

As a result of the condition precedent set forth in paragraph (f) above, completion of the Centerlab Subscription and completion of the Vivo Subscription are inter-conditional upon each other.

As at the Latest Practicable Date, none of conditions precedent set forth above had been fulfilled.

Completion

Under each Subscription Agreement, completion of the relevant Subscription shall take place on the fifth Hong Kong business day following the satisfaction (or if applicable, waiver) of all of the conditions precedent set forth under the sub-paragraph headed “Conditions Precedent” above (other than that set forth in paragraph (f) thereunder which is to be satisfied at completion), or such other date as may be agreed between the Company and the relevant Subscriber.

Under each Subscription Agreement, on the date of completion of the relevant Subscription, the relevant Subscriber shall make full payment of the Subscription Price multiplied by the relevant number of Subscription Shares together with the related brokerage and levies (if applicable) by wire transfer in immediately available clear funds to a Hong Kong dollar bank account designated by the Company.

Under each Subscription Agreement, on the date of completion of the relevant Subscription, the Company shall allot and issue the relevant number of Subscription Shares to the relevant Subscriber (or, in the case of Vivo Suzhou Fund, its designated wholly-owned subsidiary).

As a result of the condition precedent set forth in paragraph (f) under the sub-paragraph headed “Conditions Precedent” above, completion of the Centerlab Subscription and completion of the Vivo Subscription shall take place simultaneously.

LETTER FROM THE BOARD

Termination

Each Subscription Agreement may be terminated in the following manner:

- (a) if the conditions precedent set forth under the sub-paragraph headed “Conditions Precedent” above have not been satisfied (or if applicable, waived) by 31 July 2022 or such other date as may be agreed between the Company and the relevant Subscriber;
- (b) by the Company, if payment of the Subscription Price multiplied by the relevant number of Subscription Shares together with the related brokerage and levies (if applicable) is not received or settled in the time and manner stipulated in the relevant Subscription Agreement;
- (c) by the Company, if there is a material breach of the relevant Subscription Agreement on the part of the relevant Subscriber (including a material breach of the representations, warranties, undertakings and confirmations by the relevant Subscriber under the relevant Subscription Agreement) on or before completion of the relevant Subscription; or
- (d) by the Company and the relevant Subscriber, upon their mutual written consent.

2.1 REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group is mainly engaged in the research, development and licensing of self-developed oncology drugs and therapies, as well as contract development and manufacturing (CDMO) and contract manufacturing (CMO) business. As our drug candidates will require clinical development, regulatory review and marketing efforts before they can contribute to revenue generation, we will need corresponding funds to meet our ongoing research and development as well as operational needs. The net proceeds raised during the Global Offering has been fully utilized by the Group in accordance with the proposed applications as set out in the Company’s announcement dated 27 October 2020 titled “Change in Use of Net Proceeds from the Global Offering”.

With the aim of accelerating the upgrade of strategic development and further consolidating our advantages in the antibody drug conjugates (ADCs) field, we achieved remarkable results over the past years. In 2021, the Group successfully obtained marketing approvals from the National Medical Products Administration (NMPA) for three products, namely bevacizumab injection (TAB008; Pusintin[®]), temozolomide capsules (TOZ309; Tazian[®]) and megestrol acetate oral suspension (TOM218; Megaxia[®]), and entered into commercialization licensing and strategic marketing partnerships with renowned pharmaceutical companies in China. At the same time, with a leading position in terms of research and development progress in China, our first self-developed anti-HER2 ADC candidate TAA013 is currently undergoing Phase III clinical study in over 70 clinical centers in China.

LETTER FROM THE BOARD

In order to better cope with market competition and take advantage of the strengths of the Company in large-molecule biologics (such as monoclonal antibodies (mAbs)) and ADCs, and in light of the Company's current cash position and availability of resources, the Company conducted optimization of its product pipelines in 2021. In particular, (i) given the Company's positioning as a clinical-stage biopharmaceutical company with a focus on biological (as opposed to chemical) drugs and therapies, the Company downsized its non-core chemical drug business and as a result, chemical drug product candidates (other than TOM312, for which ANDA has been submitted in the PRC and hence further investment of resources will be limited) were no longer the focus of the Company; and (ii) except for TAE020 (a self-developed ADC candidate) and TAC020 (a collaboratively-developed mAb candidate), the Company suspended its other pre-clinical early-stage product pipelines which would require more investment and longer development time. Through these adjustments, the Company wishes to concentrate its resources on accelerating the completion of the Phase III clinical study of TAA013 and ultimately launching it successfully in the market. Regarding its chemical drug product pipelines, the Company does not expect to continue with their development and may out-license or otherwise dispose of them to third parties. Regarding its other suspended pre-clinical early-stage product pipelines, the Company may resume their development in the future subject to the availability of resources and market conditions.

At present, with regards to the key products of the Company, (i) regarding TAB008, its commercialization is underway pursuant to an exclusive promotion service agreement for the PRC market and an exclusive commercialization license and cooperation agreement for overseas markets; (ii) regarding TAA013, its ongoing Phase III clinical study of TAA013 is expected to be completed in 2022; and (iii) regarding TAB014, its sales rights in the PRC, Hong Kong and Macau have been out-licensed, its Phase III clinical study in the PRC is expected to begin in 2022, and consultation and communication with the United States Food and Drug Administration has been conducted for the data of clinical study conducted in the PRC to form part of key clinical data supporting the marketing approval filings in the United States. The Company is of the view that the aforesaid optimization of its product pipelines is in line with the Company's strategic direction to focus on the key areas of large-molecule biologics and ADCs, and will allow the Company to optimize its future capital structure, reasonably control its operation costs and accelerate its pace to profitability.

In addition, to further diversify our revenue base and create new growth drivers, we continue to enhance our production capacity planning and rapidly expand our CDMO and CMO business. Accordingly, we may require further funding through equity financing, debt financing, collaboration and licensing arrangements or other sources to meet our continued funding requirements for clinical development or commercialization of our current drug candidates, as well as to invest in additional capacity for the provision of CDMO and CMO services.

The Subscriptions are expected to (i) improve the Group's cash flows without creating additional interest burden; (ii) enlarge the Group's capital base to support the long-term development of the Group; (iii) optimize the capital structure of the Group; and (iv) demonstrate the continuous and dedicated support for our development from our two largest Shareholders as well as their confidence in our prospects. The Directors have considered and assessed different fund-raising alternatives. Prior to the proposed Subscriptions, the Group had leveraged on debt financing to facilitate its development. As at 31 December 2021, the Group had total borrowings of RMB206.0 million and a gearing ratio (calculated by dividing total borrowings by total equity) of

LETTER FROM THE BOARD

approximately 0.6. As generally required by banks that provide financing to the Group, the Group should finance part of their capital expenditure by way of equity financing or internal resources instead of solely relying on debt financing. It is also desirable for the Group to make use of a combination of debt financing and equity financing to support its business development. As compared to debt financing, the proposed Subscriptions would not increase the interest expenses burden of the Group and would not impact the Group's gearing position. If the same amount of gross proceeds from the Subscriptions of HK\$472.5 million were to be raised from borrowings, based on an assumed interest rate of 4% per annum, the Group's finance cost could increase by approximately HK\$18.9 million for a year (as compared to RMB2.5 million during the year ended 31 December 2021) and the Group's gearing ratio could increase to approximately 1.8 at the coming year-end. In respect of fund-raising by way of rights issue, it would involve a more lengthy and uncertain time frame of preparation work and negotiation of terms. In contrast, fund-raising by way of the Subscriptions enables us to quickly obtain financial support from our two largest Shareholders (being the Subscribers) which is essential for our swift business development as further detailed in the paragraph headed "Use of Proceeds" below.

The Company had not approached any potential independent third party subscribers before contemplating the Subscriptions primarily because of the Group's imminent funding needs and its desire to complete the Subscriptions within a short time frame. In particular, the Company was of the view that (i) compared with existing Shareholders that already have an understanding of the Group's operations and personnel, it would typically take longer for potential independent third party subscribers to conduct due diligence on the Group and negotiate the terms of their potential subscriptions; and (ii) the indicative amounts that Centerlab and Vivo Capital LLC agreed to invest upon being approached by the Company were already sufficient to meet the Group's needs in the near future, so it would not be necessary for the Company to spend time approaching potential independent third party subscribers.

The Directors (including the independent non-executive Directors) also consider the terms of the Subscription Agreements to be fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the Subscription Agreements are entered into upon normal commercial terms.

As at the Latest Practicable Date, save for the Subscriptions, the Group did not have any agreement, arrangement, understanding, intention or negotiation (whether concluded or otherwise) on any potential equity fund-raising activities.

2.2 USE OF PROCEEDS

The gross proceeds from the Subscriptions will be approximately HK\$472.50 million, and the net proceeds from the Subscriptions after the deduction of the relevant fees and expenses are estimated to be approximately HK\$470.92 million (representing a net issue price of approximately HK\$3.139 per Subscription Share).

The Company intends to apply the net proceeds from the Subscriptions in the following manner and based on the following expected timelines:

- (a) approximately 35% of the net proceeds (approximately HK\$164.82 million) for capital expenditure on the construction of our Global Research and Development

LETTER FROM THE BOARD

Centre and upgrade of our ADC formulation production workshops to expand our production capacity and to enhance our production efficiency. The construction of our Global Research and Development Centre commenced in November 2021 and is currently at the stage of waterproofing for its underground structure. The construction is expected to be completed in or around mid-2023. The capital expenditure for our ADC formulation production workshops would include structural transformations as well as addition of various kinds of operating equipment to enhance the efficiency of our trial production and pilot tests, and to provide production capacity for further enabling our commercial production. Such proceeds are expected to be fully applied by 30 September 2023;

- (b) approximately 25% of the net proceeds (approximately HK\$117.73 million) for the ongoing development of our products, of which:
 - (i) approximately 15.73% of the net proceeds (approximately HK\$74.07 million) will be used to complete Phase III clinical trial of TAA013 (anti-HER2 ADC, HER2+ advanced breast cancer), and is expected to be fully applied by 31 December 2022;
 - (ii) approximately 8.02% of the net proceeds (approximately HK\$37.76 million) will be used to fund ongoing and planned pre-clinical and clinical trials of TAE020 (new target ADC, acute myeloid leukemia) and TAC020 (new target mAb/recombinant protein, various solid tumors), and is expected to be fully applied by 31 December 2024; and
 - (iii) approximately 1.25% of the net proceeds (approximately HK\$5.90 million) will be used to fund clinical trials, registration and filing for approval, as well as post-registration research and development of other drug candidates in our pipeline, and is expected to be fully applied by 30 June 2023;
- (c) approximately 20% of the net proceeds (approximately HK\$94.19 million) for the ongoing development and support of our CDMO and CMO business, including purchases of laboratory instruments, raw materials and supplies as well as addition of team members, which would in turn strengthen our capability in fulfilling project requirements of domestic and foreign pharmaceutical companies and create additional sources of revenue growth. Such proceeds are expected to be fully applied by 31 December 2023;
- (d) approximately 10% of the net proceeds (approximately HK\$47.09 million) for commercial production, marketing and sales activities of three products with marketing approvals obtained, namely TAB008, TOZ309 and TOM218. Such proceeds are expected to be fully applied by 31 December 2022; and
- (e) approximately 10% of the net proceeds (approximately HK\$47.09 million) for our working capital and other general corporate purposes, of which about 75% and 25% of such proceeds will be respectively funded towards staff expenses and utility expenses. Such proceeds are expected to be fully applied by 30 June 2023.

LETTER FROM THE BOARD

2.3 FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any equity fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

2.4 EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets forth, to the Company's knowledge, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Subscriptions, assuming that no outstanding option under the Pre-IPO Share Option Scheme will be exercised prior to completion; and (iii) immediately after completion of the Subscriptions, assuming that all outstanding options under the Pre-IPO Share Option Scheme will have been exercised prior to completion:

Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after completion of the Subscriptions, assuming that no outstanding option under the Pre-IPO Share Option Scheme will be exercised prior to completion		(iii) Immediately after completion of the Subscriptions, assuming that all outstanding options under the Pre-IPO Share Option Scheme will have been exercised prior to completion	
	Number of Shares	Approx. % shareholding	Number of Shares	Approx. % shareholding	Number of Shares	Approx. % shareholding
<i>Shares not held in public hands:</i>						
Centerlab and BioEngine Technology	185,569,200	30.16%	219,319,200	28.66%	219,319,200	28.32%
Vivo VIII Funds and Vivo Suzhou Fund	103,245,000	16.78%	219,495,000	28.68%	219,495,000	28.35%
Teeroy Limited ⁽¹⁾	5,638,992	0.92%	5,638,992	0.74%	5,638,992	0.73%
Ms. Yeh-Huang, Chun-Ying ⁽¹⁾⁽⁵⁾	7,115,700	1.16%	7,115,700	0.93%	8,278,200	1.07%
Dr. Liu, Jun ⁽¹⁾⁽⁵⁾	-	-	-	-	1,100,000	0.14%
<i>Shares held in public hands:</i>						
Prime Success International Limited ⁽²⁾	56,573,500	9.20%	56,573,500	7.39%	56,573,500	7.31%
Advantech Capital Investment V Limited ⁽³⁾	49,136,800	7.99%	49,136,800	6.42%	49,136,800	6.35%
Tricor Trust (Hong Kong) Limited ⁽⁴⁾	34,393,566	5.59%	34,393,566	4.50%	34,393,566	4.44%
Optionholders under the Pre-IPO Share Option Scheme (other than Directors) ⁽⁵⁾	-	-	-	-	6,792,800	0.88%
Other Shareholders	173,556,739	28.20%	173,556,739	22.68%	173,556,739	22.41%
Total	615,229,497	100%	765,229,497	100%	774,284,797	100%

LETTER FROM THE BOARD

Notes:

- (1) Teeroy Limited holds award Shares for the benefit of grantees under the Restricted Share Award Scheme who are the Company's connected persons (currently comprising the two executive Directors, namely Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun).
- (2) Prime Success International Limited is wholly-owned by Chengwei Evergreen Capital, L.P., a fund under venture capital firm Chengwei Ventures LLC. Mr. Kang, Pei, a former non-executive Director of the Company who resigned on 12 March 2022, has been an executive director of Chengwei Investment Management Advisory (Shanghai) Co., Ltd. (an entity under Chengwei Ventures LLC) since March 2003, and represents Chengwei Ventures LLC on the Board of the Company. Notwithstanding this, to the best of the Company's knowledge, Prime Success International Limited is not a close associate of Mr. Kang, Pei and hence is not a core connected person of the Company. Therefore, the Shares held by Prime Success International Limited are considered to be held in public hands.
- (3) Advantech Capital Investment V Limited is wholly-owned by Advantech Capital II L.P., a fund under private equity firm Advantech Capital. Mr. Qiu, Yu Min, a current non-executive Director of the Company, has been a partner of Advantech Capital since October 2017, and represents Advantech Capital on the Board of the Company. Notwithstanding this, to the best of the Company's knowledge, Advantech Capital Investment V Limited is not a close associate of Mr. Qiu, Yu Min and hence is not a core connected person of the Company. Therefore, the Shares held by Advantech Capital Investment V Limited are considered to be held in public hands.
- (4) Tricor Trust (Hong Kong) Limited holds award Shares for the benefit of grantees under the Restricted Share Award Scheme who are not the Company's connected persons (i.e. non-Director employees and consultants).
- (5) As at 31 May 2022, options representing 9,055,300 Shares were outstanding under the Pre-IPO Share Option Scheme, including (i) options held by Ms. Yeh-Huang, Chun-Ying representing 1,162,500 Shares; (ii) options held by Dr. Liu, Jun representing 1,100,000 Shares; and (iii) options held by non-Director optionholders representing 6,792,800 Shares.

Upon completion of the Subscriptions, Vivo VIII Funds and Vivo Suzhou Fund will replace Centerlab and BioEngine Technology to become the single largest Shareholder group of the Company. Notwithstanding this, (i) no change to the Company's business plan is expected; and (ii) no change to the involvement of Vivo VIII Funds and Vivo Suzhou Fund in the Company's affairs is expected, and in particular, Vivo VIII Funds and Vivo Suzhou Fund will continue to have one representative (who is currently Mr. Fu, Shan) on the Board.

3. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Centerlab and its associate BioEngine Technology in aggregate held approximately 30.16% of the issued share capital of the Company and were controlling shareholders of the Company; and (ii) Vivo VIII Funds in aggregate held approximately 16.78% of the issued share capital of the Company and were substantial shareholders of the Company while Vivo Suzhou Fund did not hold any Shares, and both Vivo VIII Funds and Vivo Suzhou Fund had the same ultimate fund manager (i.e. Vivo Capital LLC). Therefore, each of Centerlab and Vivo Suzhou Fund is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

Specific Mandate

Given the size of the Subscriptions and the status of Centerlab and Vivo Suzhou Fund as connected persons of the Company, the general mandate granted to the Directors at the Company's 2021 annual general meeting could not, and that granted at its 2022 annual general meeting cannot, be used for the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

The Subscriptions are subject to Independent Shareholders' approval. The Subscription Shares will be allotted and issued under specific mandates to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the Extraordinary General Meeting.

Connected Transactions

Given the status of Centerlab and Vivo Suzhou Fund as connected persons of the Company, the Centerlab Subscription and the Vivo Subscription constitute connected transactions of the Company, and are subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Board approval relating to the Subscriptions has been obtained. One of the non-executive Directors, namely Mr. Fu, Shan, represents Vivo VIII Funds on the Board and is also a managing member of Vivo VIII Funds' general partner and the controlling shareholder of Vivo Suzhou Fund's ultimate managing partner. As such, he is considered to have a material interest in the Vivo Subscription 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 Subscriptions.

The Independent Board Committee comprising all three independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the Centerlab Subscription and the Vivo Subscription. The advice of the Independent Board Committee to the Independent Shareholders is set out in the letter from the Independent Board Committee in this circular.

Grand Moore Capital Limited (中毅資本有限公司) has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Centerlab Subscription and the Vivo Subscription. The advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out in the letter from the Independent Financial Adviser in this circular.

4. APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company is a clinical-stage biopharmaceutical company dedicated to developing and commercializing innovative oncology drugs and therapies, whose mission is to build a leading brand name of oncology treatments trusted by patients and their families as well as medical professionals. Please refer to the 2021 Annual Report for the latest business and financial information of the Company.

LETTER FROM THE BOARD

The Group has a comprehensive portfolio of oncology drug candidates, which include monoclonal antibodies (mAbs), antibody drug conjugates (ADCs), oncolytic virus products and specialty oncology drugs such as liposome drugs, targeting various types of cancers. Since the Company's inception in 2009, it has built and established a fully integrated in-house platform of discovery, process development, quality management, pre-clinical and clinical development, as well as commercial-scale manufacturing facilities and proven sales and marketing capabilities, which provides flexibility and scalability for business of the Group to expand along the innovative drug industry value chain.

6. INFORMATION ON THE SUBSCRIBERS

About Centerlab

Centerlab was incorporated in Taiwan in 1959 and its shares were listed on the Taipei Exchange in 2003 (stock code: 4123). It is Taiwan's largest manufacturer of oral liquid pharmaceuticals, with a market share of about 70%. Its products are mainly oral solutions, including syrups, suspensions, emulsions and other dosage forms. It also engages in new drug research and development, active pharmaceutical ingredients, minimally invasive medical devices and other businesses through investments in other corporations. In recent years, Centerlab is known as the "Biotech Industrial Bank" (生技工業銀行) in Taiwan for its track record of incubating or investing in various biotech and related companies listed or to be listed on the Stock Exchange or the Taipei Exchange (including the Company) and fostering their growth and development. As of 31 December 2021, Centerlab had total assets of NT\$30.4 billion (equivalent to approximately US\$1.1 billion).

Centerlab (together with its former associate BioEngine Venture Capital Inc. and/or current associate BioEngine Technology) has been a shareholder of the Company since January 2011.

About Vivo Suzhou Fund and Other Funds Managed by Vivo Capital LLC

Vivo Suzhou Fund is a limited partnership established in the PRC managed by Vivo Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司), a private equity fund manager (私募基金管理人) registered with the Asset Management Association of China (中國證券投資基金業協會) which is directly wholly-owned and controlled by Vivo Capital LLC. Vivo Suzhou Fund has a wide and expanding investor base. As of its first close in late May 2022, it had introduced a number of PRC-based limited partners, such as local-government-guided investment funds, financial institutions and biopharmaceutical enterprises.

Vivo VIII Funds, which are also funds managed by Vivo Capital LLC, have been shareholders of the Company since December 2015.

Vivo Capital LLC's predecessor was founded in the United States in 1996. Vivo Capital LLC was incorporated in the State of California of the United States in 2005, and is an investment adviser registered with the United States Securities and Exchange Commission. Spanning private equity, public equity and venture capital, it is a global healthcare investment firm that focuses on finding and building value in healthcare companies in the United States and Greater China. It invests in both public and private

LETTER FROM THE BOARD

healthcare companies through funds managed by it or its affiliate, including Vivo Suzhou Fund and Vivo VIII Funds, among others. In terms of assets under management (AUM), as of 31 December 2021, Vivo Capital LLC managed over US\$6.4 billion in client assets on a discretionary basis. In terms of management, as of 31 March 2022, Vivo Capital LLC had over 30 investment professionals based both in the United States and in Greater China. In terms of ownership, as of the Latest Practicable Date, Vivo Capital LLC had more than 10 beneficial owners, all being natural persons, among which Dr. Kung, Frank Fang-Chien (a former non-executive Director of the Company) was the largest beneficial owner with an interest of more than 20% and was considered as Vivo Capital LLC's principal owner.

7. EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be held on Friday, 22 July 2022 at 11:00 a.m. with the combination of a physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong and a virtual meeting online or any adjournment thereof. The notice of the Extraordinary General Meeting is set out on pages 51 to 53 of this circular.

The Extraordinary General Meeting will be convened for the Shareholders to consider, and if thought fit, approve the Subscription Agreements, the respective transactions contemplated thereunder and the requisite specific mandate.

As far as the Company is aware having made all reasonable enquiry, as at the Latest Practicable Date, (i) Centerlab and BioEngine Technology held a total of 185,569,200 Shares, representing approximately 30.16% of the issued share capital of the Company; (ii) Vivo VIII Funds held a total of 103,245,000 Shares, representing approximately 16.78% of the issued share capital of the Company; and (iii) Teeroy Limited and Tricor Trust (Hong Kong) Limited (as trustees under the Restricted Share Award Scheme) held a total of 40,032,558 Shares, representing approximately 6.51% of the issued share capital of the Company. Please refer to the paragraph headed “Connected Transactions Involving the Subscriptions — Effects on Shareholding Structure of the Company” above for details.

Centerlab, BioEngine Technology and Vivo VIII Funds all have a material interest in the Subscriptions and the allotment and issue of the Subscription Shares, and are hence required to abstain from voting on the resolution approving the same at the Extraordinary General Meeting.

Pursuant to the rules of the Restricted Share Award Scheme, Teeroy Limited and Tricor Trust (Hong Kong) Limited shall not exercise any voting rights in respect of any award Shares held by them as trustees, and there is no mechanism whereby the grantees may exercise, or may instruct the trustees to exercise, any voting rights attached to any award Shares held by the trustees. Therefore, Teeroy Limited and Tricor Trust (Hong Kong) Limited will not exercise their voting rights in respect of Shares held by them at the Extraordinary General Meeting.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the connected transactions contemplated under the Subscription Agreements and will be required to abstain from voting on the resolution to approve the Subscription Agreements, the connected transactions contemplated thereunder and the requisite specific mandate at the Extraordinary General Meeting.

As the completion of the Subscriptions is subject to the satisfaction (or if applicable, waiver) of certain conditions precedent, the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Tricor Investor Services Limited, the Company's share registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (i.e. not later than 11:00 a.m. on Wednesday, 20 July 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting if you so wish. If you attend and vote at the Extraordinary General Meeting, the authority of the proxy will be revoked.

Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the Extraordinary General Meeting) for the proxy to receive the login access code to participate online in the e-Meeting System.

In light of the recent COVID-19 pandemic, the Extraordinary General Meeting will be conducted in a hybrid manner with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the Extraordinary General Meeting either (a) through the physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone.

Registered Shareholders will be able to attend the Extraordinary General Meeting, vote and submit questions online via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the Extraordinary General Meeting, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

If any Shareholder has any question on the arrangements of the Extraordinary General Meeting, please contact Tricor Investor Services Limited, the Company's share registrar, at the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Telephone: (852) 2980-1333

during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays).

LETTER FROM THE BOARD

8. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 July 2022 to Friday, 22 July 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 18 July 2022 for registration of transfer.

9. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote by shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted only by a show of hands. Therefore, the resolution to be proposed at the Extraordinary General Meeting will be voted by way of poll.

An announcement on the poll results will be published after the Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

10. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 22 of this circular which contains its advice to the Independent Shareholders in connection with the Subscription Agreements and the connected transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out on pages 23 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreements and the connected transactions contemplated thereunder, and the principal factors and reasons taken into consideration in arriving at its advice; and (iii) the additional information set out in the appendix on pages 44 to 50 of this circular.

The Board (including the members of the Independent Board Committee, whose views after reviewing and considering the advice of Independent Financial Adviser are set out in the letter from the Independent Board Committee in this circular; but excluding Mr. Fu, Shan, who has abstained from voting on the relevant Board resolution) considers that the Subscription Agreements and the connected transactions contemplated thereunder are in the best interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Board recommends the Shareholders as a whole to vote in favour of the relevant resolution in the terms as set out in the notice of the Extraordinary General Meeting.

Yours faithfully,

For and on behalf of the Board

TOT BIOPHARM International Company Limited

Dr. Liu, Jun

Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreements and the connected transactions contemplated thereunder.

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)

5 July 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION
BY TWO CONNECTED PERSONS FOR NEW SHARES
TO BE ISSUED UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 5 July 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you in respect of the Subscription Agreements and the connected transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 23 to 43 of the Circular, we are of the opinion that the terms of the Subscription Agreements are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, and the connected transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favor of the resolution to be proposed at the Extraordinary General Meeting to approve the Subscription Agreements and the connected transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Hu, Lan

*Independent Non-Executive
Director*

Chang, Hong-Jen

*Independent Non-Executive
Director*

Wang, De Qian

*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, and prepared for the purpose of incorporation into the circular.



中毅資本有限公司
Grand Moore Capital Limited

Unit 1607, 16/F, Silvercord Tower 1,
30 Canton Road
Tsim Sha Tsui, Kowloon,
Hong Kong

5 July 2022

*To the Independent Board Committee and
the Independent Shareholders of
TOT Biopharm International Company Limited*

Dear Sirs,

CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION BY TWO CONNECTED PERSONS FOR NEW SHARES TO BE ISSUED UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, the particulars of which have been set out in the circular to the Shareholders dated 5 July 2022 (the “**Circular**”) and in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise (i) the Independent Board Committee and the Independent Shareholders as to whether the Subscriptions are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the Independent Shareholders as to the voting in respect of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Subscriptions. Details of the reasons for and benefits of the Subscriptions are set out in the “Letter from the Board” in the Circular (the “**Board Letter**”).

Reference is made to the announcement of the Company dated 31 May 2022 titled “Connected Transactions Involving Subscription by Two Investors for New Shares to be Issued under Specific Mandate” (the “**Announcement**”). It is stated in the Announcement that, on 31 May 2022 (after trading hours), the Company entered into (i) the Centerlab Subscription Agreement with Centerlab, pursuant to which Centerlab has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 33,750,000 Subscription Shares; and (ii) the Vivo Subscription Agreement with Vivo Suzhou Fund, pursuant to which Vivo Suzhou Fund has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 116,250,000 Subscription Shares, in both cases at the Subscription Price of HK\$3.15 per Subscription Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, (i) Centerlab and its associate BioEngine Technology in aggregate held approximately 30.16% of the issued share capital of the Company and were controlling shareholders of the Company; and (ii) Vivo VIII Funds in aggregate held approximately 16.78% of the issued share capital of the Company and were substantial shareholders of the Company while Vivo Suzhou Fund did not hold any Shares, and both Vivo VIII Funds and Vivo Suzhou Fund had the same ultimate fund manager (i.e. Vivo Capital LLC). Therefore, each of Centerlab and Vivo Suzhou Fund is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

Given the size of the Subscriptions and the status of Centerlab and Vivo Suzhou Fund as connected persons of the Company, the general mandate granted to the Directors at the Company's 2021 annual general meeting could not, and that granted at its 2022 annual general meeting cannot, be used for the allotment and issue of the Subscription Shares.

The Subscriptions are subject to Independent Shareholders' approval. The Subscription Shares will be allotted and issued under specific mandates to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the Extraordinary General Meeting.

Given the status of Centerlab and Vivo Suzhou Fund as connected persons of the Company, the Centerlab Subscription and the Vivo Subscription constitute connected transactions of the Company, and are subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Board approval relating to the Subscriptions has been obtained. One of the non-executive Directors, namely Mr. Fu, Shan, represents Vivo VIII Funds on the Board and is also a managing member of Vivo VIII Funds' general partner and the controlling shareholder of Vivo Suzhou Fund's ultimate managing partner. As such, he is considered to have a material interest in the Vivo Subscription 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 Subscriptions.

The Company has established the Independent Board Committee comprising all three independent non-executive Directors, namely Ms. Hu, Lan, Mr. Chang, Hong-Jen and Dr. Wang, De Qian, to advise the Independent Shareholders in relation to the Centerlab Subscription and the Vivo Subscription. The Company has appointed us as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Centerlab Subscription and the Vivo Subscription.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the past two years, we have not acted in any financial adviser role to the Company, but we have acted as an independent financial adviser to the independent board committee of the Company in its connected transaction involving issue of new shares to trustee holding shares on trust for certain Directors, the details of which are set out in the Company's circular dated 3 August 2020 (the "**Previous Appointment**"). Save for the current engagement as the Independent Financial Adviser and the Previous Appointment, there was no other relationship and/or engagement between the Company and us in the past two years.

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence; (ii) we have maintained our independence from the Company during the Previous Appointment, and our independence from the Company has not been compromised because of the Previous Appointment; and (iii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant periods which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the allotment and issue of the Subscription Shares pursuant to Rule 13.84 of the Listing Rules.

BASIS OF ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the 2021 Annual Report; (iii) other information provided by the Directors and the management of the Group (the "**Management**"); and (iv) the opinions expressed by and the representations of the Management. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisors and/or the Directors, the Management (where applicable), which have been provided to us.

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

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 13 and 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company and its respective subsidiaries or associates (if applicable) or any of the other parties involved in the Subscriptions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscriptions. The Company has been separately advised by its own professional advisors with respect to the Subscriptions and the preparation of the Circular (other than this letter).

We have assumed that the Subscriptions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all necessary consents, authorizations and approvals in respect of the Subscriptions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Subscriptions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following factors:

1 Background information on the parties

1.1 Principal activities of the Group

The Company is a clinical-stage biopharmaceutical company dedicated to developing and commercializing innovative oncology drugs and therapies, whose mission is to build a leading brand name of oncology treatments trusted by patients and their families as well as medical professionals. The Group is mainly engaged in the research, development and licensing of self-developed oncology drugs and therapies, as well as contract development and manufacturing (CDMO) and contract manufacturing (CMO) business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information on the Group

Set out below is the key consolidated financial information of the Company for the years ended 31 December 2020 and 2021 as extracted from the consolidated statement of comprehensive loss set out in the 2021 Annual Report:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	76,325	22,491
Operating loss	259,700	288,672
Loss for the year attributable to the equity holders of the Company	261,216	288,498

The Group's revenue increased by approximately RMB53.8 million or approximately 239.4% from approximately RMB22.5 million for the year ended 31 December 2020 to approximately RMB76.3 million for the year ended 31 December 2021. The significant increase in the Group's revenue is mainly due to the increase in sales of CDMO and CMO services of approximately RMB47.3 million as a result of increase in orders brought by the Group's strategic expansion of CDMO and CMO business in 2021. The operating loss of the Group decreased by approximately RMB29.0 million or approximately 10.0% from approximately RMB288.7 million for the year ended 31 December 2020 to approximately RMB259.7 million for the year ended 31 December 2021. The decrease in the Group's operating loss is primarily due to (i) the increase in revenue mentioned above; (ii) the decrease in research and development expenses of approximately RMB20.5 million as a result of the absence of related significant expenses for clinical trials in 2021 subsequent to the Company's completion of the Phase III clinical trial of TAB008 project in the second half of 2020; (iii) decrease in selling expenses of approximately RMB3.1 million; and (iv) increase in other gains – net of approximately RMB2.7 million, partially offset by the increase in (a) cost of revenue of approximately RMB41.9 million; and (b) general and administrative expenses of approximately RMB9.5 million.

Due to the combined effects of the aforementioned factors, the Group recorded loss attributable to the equity holders of the Company of approximately RMB261.2 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 9.1% as compared to that of approximately RMB288.5 million recorded during the year ended 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are certain key consolidated financial information of the Company as at 31 December 2020 and 2021 as extracted from the consolidated balance sheet set out in the 2021 Annual Report:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total assets	710,263	641,183
Total liabilities	375,172	58,826
Net assets attributable to the equity holders of the Company	335,091	582,357
Cash and cash equivalents	152,805	225,533

The consolidated total assets of the Company amounted to approximately RMB710.3 million as at 31 December 2021, representing an increase of approximately RMB69.1 million, or approximately 10.8%, as compared to approximately RMB641.2 million as at 31 December 2020. The increase in total assets was mainly due to the increase in (i) other current assets of approximately RMB79.9 million which were non-existent in 2020; (ii) prepayments for property, plant and equipment of approximately RMB55.3 million; and (iii) inventories of approximately RMB21.4 million, which are partially offset by the decrease in (a) cash and cash equivalents of approximately RMB72.7 million; and (b) other non-current assets of approximately RMB54.3 million.

The consolidated total liabilities of the Company amounted to approximately RMB375.2 million as at 31 December 2021, representing a significant increase of approximately RMB316.3 million, or approximately 537.8%, as compared to approximately RMB58.8 million as at 31 December 2020. The increase in total liabilities was mainly due to the increase in (i) borrowings of approximately RMB206.0 million due to drawdown of unsecured bank loans in 2021 which were non-existent in 2020; (ii) other non-current liabilities of approximately RMB53.5 million which were non-existent in 2020; and (iii) trade and other payables of approximately RMB43.9 million.

Due to combined effects of the aforementioned factors, the consolidated net assets attributable to equity holders of the Company amounted to approximately RMB335.1 million as at 31 December 2021, representing a decrease of approximately RMB247.3 million, or approximately 42.5% from that of RMB582.4 million as at 31 December 2020.

The cash and cash equivalents of the Group decreased by approximately RMB72.7 million or 32.2% from approximately RMB225.5 million as at 31 December 2020 to approximately RMB152.8 million as at 31 December 2021. After discussion with the Management, we understand that the Group's unaudited cash and cash equivalents as at 30 April 2022 amounted to approximately RMB164.3 million, which is not sufficient for the Group's use of proceeds as stated in section 2.3 in this letter, therefore we are of the view that the new funding from the Subscriptions is vital to the Group's future developments.

1.3 Information on the Subscribers

Details of the Subscribers, Centerlab and Vivo Suzhou Fund, are set out as follows:

1.3.1 Centerlab

Centerlab was incorporated in Taiwan in 1959 and its shares were listed on the Taipei Exchange in 2003 (stock code: 4123). It is Taiwan's largest manufacturer of oral liquid pharmaceuticals, with a market share of about 70%. Its products are mainly oral solutions, including syrups, suspensions, emulsions and other dosage forms. It also engages in new drug research and development, active pharmaceutical ingredients, minimally invasive medical devices and other businesses through investments in other corporations. In recent years, Centerlab is known as the "Biotech Industrial Bank" (生技工業銀行) in Taiwan for its track record of incubating or investing in various biotech and related companies listed or to be listed on the Stock Exchange or the Taipei Exchange (including the Company) and fostering their growth and development. As of 31 December 2021, Centerlab had total assets of NT\$30.4 billion (equivalent to approximately US\$1.1 billion).

Centerlab (together with its former associate BioEngine Venture Capital Inc. and/or current associate BioEngine Technology) has been a shareholder of the Company since January 2011.

1.3.2 Vivo Suzhou Fund and other funds managed by Vivo Capital LLC

Vivo Suzhou Fund is a limited partnership established in the PRC managed by Vivo Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司), a private equity fund manager (私募基金管理人) registered with the Asset Management Association of China (中國證券投資基金業協會) which is directly wholly-owned and controlled by Vivo Capital LLC. Vivo Suzhou Fund has a wide and expanding investor base. As of its first close in late May 2022, it had introduced a number of PRC-based limited partners, such as local-government-guided investment funds, financial institutions and biopharmaceutical enterprises.

Vivo VIII Funds, which are also funds managed by Vivo Capital LLC, have been shareholders of the Company since December 2015.

Vivo Capital LLC's predecessor was founded in the United States in 1996. Vivo Capital LLC was incorporated in the State of California of the United States in 2005, and is an investment adviser registered with the United States Securities and Exchange Commission. Spanning private equity, public equity and venture capital, it is a global healthcare investment firm that focuses on finding and building value in healthcare companies in the United States and Greater China. It invests in both public and private healthcare companies through funds managed by it or its affiliate, including Vivo Suzhou Fund and Vivo VIII Funds, among others. In terms of assets under management (AUM), as of 31 December 2021, Vivo Capital LLC managed over

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

US\$6.4 billion in client assets on a discretionary basis. In terms of management, as of 31 March 2022, Vivo Capital LLC had over 30 investment professionals based both in the United States and in Greater China. In terms of ownership, as of the Latest Practicable Date, Vivo Capital LLC had more than 10 beneficial owners, all being natural persons, among which Dr. Kung, Frank Fang-Chien (a former non-executive Director of the Company) was the largest beneficial owner with an interest of more than 20% and was considered as Vivo Capital LLC's principal owner.

2 The Subscriptions

2.1 *Principal terms of the Subscription Agreements*

Principal key terms of the Subscription Agreements as extracted from the Board Letter are set forth below:

Date:	31 May 2022
Parties:	The Centerlab Subscription Agreement: (1) The Company as the issuer (2) Centerlab as the subscriber The Vivo Subscription Agreement: (1) The Company as the issuer (2) Vivo Suzhou Fund as the subscriber
Subscription Shares:	33,750,000 Subscription Shares to be issued to Centerlab; and 116,250,000 Subscription Shares to be issued to Vivo Suzhou Fund
Subscription Price:	HK\$3.15 per Subscription Share

The aggregate of 150,000,000 Subscription Shares represent (i) approximately 24.38% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.60% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Subscription Shares, assuming that no new Shares other than the Subscription Shares will be allotted and issued by the Company in the interim.

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with all other existing Shares outstanding on the date of such allotment and issue.

For further details of the terms of the Subscription Agreements, please refer to the section headed "2. Connected Transactions involving the Subscriptions" in the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Reasons for and benefits of the Subscriptions*

It is stated in the Board Letter that as the Group's drug candidates will require clinical development, regulatory review and marketing efforts before they can contribute to revenue generation, the Group will need corresponding funds to meet their ongoing research and development as well as operational needs. The net proceeds raised during the Global Offering has been fully utilized by the Group in accordance with the proposed applications as set out in the Company's announcement dated 27 October 2020 titled "Change in Use of Net Proceeds from the Global Offering".

With the aim of accelerating the upgrade of strategic development and further consolidating the Group's advantages in the antibody drug conjugates (ADCs) field, the Group achieved remarkable results over the past years. In 2021, the Group successfully obtained marketing approvals from the National Medical Products Administration (NMPA) for three products, namely bevacizumab injection (TAB008; Pusintin[®]), temozolomide capsules (TOZ309; Tazian[®]) and megestrol acetate oral suspension (TOM218; Megaxia[®]), and entered into commercialization licensing and strategic marketing partnerships with renowned pharmaceutical companies in China. At the same time, with a leading position in terms of research and development progress in China, the Group's first self-developed anti-HER2 ADC candidate TAA013 is currently undergoing Phase III clinical study in over 70 clinical centers in China.

In order to better cope with market competition and take advantage of the strengths of the Company in large-molecule biologics (such as monoclonal antibodies (mAbs)) and ADCs, and in light of the Company's current cash position and availability of resources, the Company conducted optimization of its product pipelines in 2021. In particular, (i) given the Company's positioning as a clinical-stage biopharmaceutical company with a focus on biological (as opposed to chemical) drugs and therapies, the Company downsized its non-core chemical drug business and as a result, chemical drug product candidates (other than TOM312, for which ANDA has been submitted in the PRC and hence further investment of resources will be limited) were no longer the focus of the Company; and (ii) except for TAE020 (a self-developed ADC candidate) and TAC020 (a collaboratively-developed mAb candidate), the Company suspended its other pre-clinical early-stage product pipelines which would require more investment and longer development time. Through these adjustments, the Company wishes to concentrate its resources on accelerating the completion of the Phase III clinical study of TAA013 and ultimately launching it successfully in the market. Regarding its chemical drug product pipelines, the Company does not expect to continue with their development and may out-license or otherwise dispose of them to third parties. Regarding its other suspended pre-clinical early-stage product pipelines, the Company may resume their development in the future subject to the availability of resources and market conditions.

At present, with regards to the key products of the Company, (i) regarding TAB008, its commercialization is underway pursuant to an exclusive promotion service agreement for the PRC market and an exclusive commercialization license and cooperation agreement for overseas markets; (ii) regarding TAA013, its ongoing Phase III clinical study of TAA013 is expected to be completed in 2022; and (iii) regarding TAB014, its sales rights in the PRC,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hong Kong and Macau have been out-licensed, its Phase III clinical study in the PRC is expected to begin in 2022, and consultation and communication with the United States Food and Drug Administration has been conducted for the data of clinical study conducted in the PRC to form part of key clinical data supporting the marketing approval filings in the United States. The Company is of the view that the aforesaid optimization of its product pipelines is in line with the Company's strategic direction to focus on the key areas of large-molecule biologics and ADCs, and will allow the Company to optimize its future capital structure, reasonably control its operation costs and accelerate its pace to profitability.

In addition, to further diversify the Group's revenue base and create new growth drivers, it continues to enhance the Group's production capacity planning and rapidly expand the Group's CDMO and CMO business. Accordingly, the Group may require further funding through equity financing, debt financing, collaboration and licensing arrangements or other sources to meet the Group's continued funding requirements for clinical development or commercialization of the Group's current drug candidates, as well as to invest in additional capacity for the provision of CDMO and CMO services.

The Subscriptions are expected to (i) improve the Group's cash flows without creating additional interest burden; (ii) enlarge the Group's capital base to support the long-term development of the Group; (iii) optimize the capital structure of the Group; and (iv) demonstrate the continuous and dedicated support for the Group's development from the Group's two largest Shareholders as well as their confidence in the Group's prospects. The Directors have considered and assessed different fund-raising alternatives. Prior to the proposed Subscriptions, the Group had leveraged on debt financing to facilitate its development. As at 31 December 2021, the Group had total borrowings of RMB206.0 million and a gearing ratio (calculated by dividing total borrowings by total equity) of approximately 0.6. As generally required by banks that provide financing to the Group, the Group should finance part of their capital expenditure by way of equity financing or internal resources instead of solely relying on debt financing. It is also desirable for the Group to make use of a combination of debt financing and equity financing to support its business development. As compared to debt financing, the proposed Subscriptions would not increase the interest expenses burden of the Group and would not impact the Group's gearing position. If the same amount of gross proceeds from the Subscriptions of HK\$472.5 million were to be raised from borrowings, based on an assumed interest rate of 4% per annum, the Group's finance cost could increase by approximately HK\$18.9 million for a year (as compared to RMB2.5 million during the year ended 31 December 2021) and the Group's gearing ratio could increase to approximately 1.8 at the coming year-end. In respect of fund-raising by way of rights issue, it would involve a more lengthy and uncertain time frame of preparation work and negotiation of terms. In contrast, fund-raising by way of the Subscriptions enables the Group to quickly obtain financial support from the Group's two largest Shareholders (being the Subscribers) which is essential for the Group's swift business development as further detailed in section 2.3 in this letter.

The Company had not approached any potential independent third party subscribers before contemplating the Subscriptions primarily because of the Group's imminent funding needs and its desire to complete the Subscriptions within a short time frame. In particular, the Company was of the view that (i) compared with existing Shareholders that already have an understanding of the Group's operations and personnel, it would typically take longer for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

potential independent third party subscribers to conduct due diligence on the Group and negotiate the terms of their potential subscriptions; and (ii) the indicative amounts that Centerlab and Vivo Capital LLC agreed to invest upon being approached by the Company were already sufficient to meet the Group's needs in the near future, so it would not be necessary for the Company to spend time approaching potential independent third party subscribers.

Having considered (i) debt financing would considerably increase the gearing ratio of the Group from 0.6 to 1.8 and the Group's finance cost could increase by approximately HK\$18.9 million for a year (as compared to RMB2.5 million during the year ended 31 December 2021) which creates financial burden to the Group; (ii) banks that provide financing to the Group generally require that the Group should finance part of their capital expenditure by way of equity financing or internal resources instead of solely relying on debt financing; (iii) fund-raising by way of rights issue would involve a more lengthy and uncertain time frame of preparation work and negotiation of terms, and extra time and effort to engage an underwriter amid the current bearish market; and (iv) the availability and willingness of equity financing by the Subscribers demonstrate the continuous and dedicated support for the Group's development from the Group's two largest Shareholders as well as their confidence in the Group's prospects, save the Group's time and effort to approach, identify and successfully negotiate subscription terms with potential independent third party subscriber(s) with an investment appetite similar to the gross proceeds of the Subscriptions and allow the Group to receive the proceeds from the Subscriptions as early as possible to support the Group's swift business development as detailed in section 2.3 in this letter without any additional lengthy due diligence on the Group by such potential independent third party subscriber(s) after which such potential subscription may or may not proceed subject to the due diligence results, we consider that the Subscriptions represent suitable means of fund raising to meet the Group's financing needs.

Based on the above and the fact that the Subscription Price was determined primarily with reference to the prevailing market prices of the Shares, the Directors consider and we concur that the terms of the Subscription Agreements are fair and reasonable, and that the Subscriptions are in the interest of the Company and the Shareholders as a whole.

2.3 Use of proceeds

As further stated in the Board Letter, the gross proceeds from the Subscriptions will be approximately HK\$472.50 million, and the net proceeds from the Subscriptions after the deduction of the relevant fees and expenses are estimated to be approximately HK\$470.92 million (representing a net issue price of approximately HK\$3.139 per Subscription Share).

The Company intends to apply the net proceeds from the Subscriptions in the following manner and based on the following expected timelines:

- (a) approximately 35% of the net proceeds (approximately HK\$164.82 million) for capital expenditure on the construction of the Group's Global Research and Development Centre and upgrade of the Group's ADC formulation production workshops to expand the Group's production capacity and to enhance the Group's production efficiency. The construction of the Group's Global

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Research and Development Centre commenced in November 2021 and is currently at the stage of waterproofing for its underground structure. The construction is expected to be completed in or around mid-2023. The capital expenditure for the Group's ADC formulation production workshops would include structural transformations as well as addition of various kinds of operating equipment to enhance the efficiency of the Group's trial production and pilot tests, and to provide production capacity for further enabling the Group's commercial production. Such proceeds are expected to be fully applied by 30 September 2023;

- (b) approximately 25% of the net proceeds (approximately HK\$117.73 million) for the ongoing development of the Group's products, of which:
 - (i) approximately 15.73% of the net proceeds (approximately HK\$74.07 million) will be used to complete Phase III clinical trial of TAA013 (anti-HER2 ADC, HER2+ advanced breast cancer), and is expected to be fully applied by 31 December 2022;
 - (ii) approximately 8.02% of the net proceeds (approximately HK\$37.76 million) will be used to fund ongoing and planned pre-clinical and clinical trials of TAE020 (new target ADC, acute myeloid leukemia) and TAC020 (new target mAb/recombinant protein, various solid tumors), and is expected to be fully applied by 31 December 2024; and
 - (iii) approximately 1.25% of the net proceeds (approximately HK\$5.90 million) will be used to fund clinical trials, registration and filing for approval, as well as post-registration research and development of other drug candidates in the Group's pipeline, and is expected to be fully applied by 30 June 2023;
- (c) approximately 20% of the net proceeds (approximately HK\$94.19 million) for the ongoing development and support of the Group's CDMO and CMO business, including purchases of laboratory instruments, raw materials and supplies as well as addition of team members, which would in turn strengthen the Group's capability in fulfilling project requirements of domestic and foreign pharmaceutical companies and create additional sources of revenue growth. Such proceeds are expected to be fully applied by 31 December 2023;
- (d) approximately 10% of the net proceeds (approximately HK\$47.09 million) for commercial production, marketing and sales activities of three products with marketing approvals obtained, namely TAB008, TOZ309 and TOM218. Such proceeds are expected to be fully applied by 31 December 2022; and
- (e) approximately 10% of the net proceeds (approximately HK\$47.09 million) for the Group's working capital and other general corporate purposes, of which about 75% and 25% of such proceeds will be respectively funded towards staff expenses and utility expenses. Such proceeds are expected to be fully applied by 30 June 2023.

3 Our assessment on the principal terms of the Subscription Agreements

3.1 Subscription Price

The Subscription Price is HK\$3.15 per Subscription Share, which:

- (a) is equal to the closing price of HK\$3.15 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements (i.e. 31 May 2022);
- (b) represents a premium of approximately 4.79% over the average closing price of HK\$3.006 per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the Subscription Agreements (i.e. 24, 25, 26, 27 and 30 May 2022);
- (c) represents a premium of 5% over the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date (i.e. 27 June 2022); and
- (d) represents a premium of approximately 367% over the unaudited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.674 (being (x) the unaudited consolidated net asset value of the Group of approximately RMB336.18 million (equivalent to approximately HK\$414.52 million based on the interbank foreign exchange market middle exchange rate published by the China Foreign Exchange Trade System (中國外匯交易中心) under the authorization of the People's Bank of China (中國人民銀行) on 31 March 2022 of HK\$1 to RMB0.81101) as set out in the announcement of the Company dated 12 May 2022, divided by (y) 615,229,497 Shares outstanding as at 31 March 2022).

The Subscription Price was determined after arm's length negotiations between the Company and each of Centerlab and Vivo Suzhou Fund primarily with reference to the prevailing market prices of the Shares. The Directors (including the independent non-executive Directors) consider that the premium of the Subscription Price over the aforesaid latest net asset value per Share is fair and reasonable given the magnitude of the premium.

3.1.1 Comparison of the Subscription Price with historical closing prices of the Shares

In assessing the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange from 1 December 2021 (i.e. six months prior to the date of Subscription Agreements) to the Latest Practicable Date (the "**Review Period**") and compared them with the Subscription Price. We consider the Review Period is adequate to reflect the prevailing market sentiment and illustrates a more recent general trend and level of movement of the daily closing prices of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Source: website of the Stock Exchange

During the Review Period, the average of the closing prices was approximately HK\$3.45 per Share (the “**Average Closing Price**”). The closing prices of the Shares during the Review Period ranged from HK\$2.47 per Share (the “**Lowest Closing Price**”) recorded on 15 March 2022 to HK\$4.37 per Share (the “**Highest Closing Price**”) recorded on 15 December 2021.

While the Share price movement demonstrated a generally downward trend throughout the Review Period, the Share price performance has shown some correlation with the Hang Seng Index which also dropped from 23,658.92 on 1 December 2021 (i) by approximately 22.16% to 18,415.08 on 15 March 2022, i.e. the date on which the Lowest Closing Price was recorded; and (ii) by approximately 9.48% to 21,415.20 on 31 May 2022, i.e. the date of the Announcement, demonstrating a bearish market sentiment in the first half of 2022 during which (i) Hong Kong was severely impacted by the 5th wave COVID-19 outbreak; (ii) outbreaks of COVID-19 in various cities in the PRC with that in Shanghai being quite notable; (iii) geopolitical tensions increased significantly with Russia’s invasion of Ukraine which commenced in late February 2022; and (iv) various factors (including some of the above) contributing to continuous disruptions to worldwide supply chains in various sectors which further limited economic activities. In particular, the Hang Seng Hong Kong-Listed Biotech Index also dropped from 1,866.72 on 1 December 2021 by approximately 37.04% to 1,175.28 on 31 May 2022 during the Review Period. Based on the low average daily trading volume of the Shares for each month during the Review Period as illustrated in section 3.1.2 in this letter, we are not aware of any corporate action taken by the Group that caused significant increase in trading volume of the Shares and we are of the view that the Share price performance is generally in line with market trend amid the bearish market sentiment during the Review Period as mentioned above.

When we take a closer look to the Share price over the Review Period, the Share price decreased slightly from HK\$4.10 per Share on 1 December 2021 to HK\$4.00 per Share on 7 December 2021, after trading hours on which an

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

announcement in relation to disposal of listed securities by the Company to Centerlab was published. The Share price then surged to the Highest Closing Price of HK\$4.37 per Share on 15 December 2021, and the closing prices of the Shares then fell to HK\$3.98 per Share on 21 December 2021, which is generally in line the market trend of the Hang Seng Index which decreased from 23,420.76 on 15 December 2021 to 22,971.33 on 21 December 2021. We note that the Company published a voluntary announcement in relation to an exclusive promotion service agreement entered into between the Group and an independent promotion service provider in Jiangxi, China on 21 December 2021. The Share price stayed at HK\$3.95 per Share from 22 December 2021 to 29 December 2021. The Share price rebounded and closed at HK\$4.28 per Share on 30 December 2021, and slightly decreased to HK\$4.27 per Share on 31 December 2021, after trading hours on which the Company published an announcement in relation to the construction agreement of a global research and development center at the Group's headquarter in Suzhou. Subsequently, the Share price declined and further reached HK\$4.10 per Share on 7 January 2022, being the date of entering of a capital increase agreement, pursuant to which Vivo Capital Fund VIII (both Vivo Capital Fund VIII which has been a Shareholder since 2015 and Vivo Suzhou Fund which is one of the Subscribers are managed by Vivo Capital LLC) agreed to subscribe for new registered capital of a direct wholly-owned subsidiary of the Company. The Share price then increased to HK\$4.20 per Share on 11 and 12 January 2022 before exhibiting a downward trend and closed at HK\$3.03 per Share on 11 March 2022. The Company published an announcement in relation to change of Directors and Board composition on 13 March 2022. Concurrently, the Hang Seng Index plunged a total of 2,138.71 points in two consecutive trading days and closed at 18,415.08 on 15 March 2022 while the Share price was also affected by the bearish market sentiment and reached HK\$2.47 on 15 March 2022, the lowest point during the Review Period. Afterwards, the closing prices of the Shares rebounded to HK\$3.15 per Share on 24 March 2022, the Company also published an annual results announcement for the year ended 31 December 2021 after trading hours the same day. The closing prices of the Shares then increased to HK\$3.32 per Share on 21 April 2022 and closed at HK\$3.10 per Share on 28 April 2022, which is generally in line with the downward trend of Hang Seng Index from 21 April 2022 to 27 April 2022. The Company published its 2021 Annual Report after trading hours on 28 April 2022. The closing prices of the Shares reached HK\$3.33 per Share on 3 May 2022 and remained at HK\$3.03 per Share from 6 May 2022 to 16 May 2022 before it hiked to HK\$3.36 on 18 May 2022. The Share price closed at HK\$3.00 per Share on the Latest Practicable Date. Upon enquiry with the Management, we are advised that save for the poor market sentiment demonstrated by the Hang Seng Index and Hang Seng Hong Kong-Listed Biotech Index together with the information already available in the public domain, they are not aware of any other major event which took place during the Review Period that might affect the Share price.

The Subscription Price of HK\$3.15 per Share represents (i) a premium of 27.53% over the Lowest Closing Price of HK\$2.47 per Share; (ii) a discount of approximately 27.92% to the Highest Closing Price of HK\$4.37 per Share; (iii) a discount of approximately 8.78% to the Average Closing Price of approximately HK\$3.45 per Share for the Review Period; (iv) a premium of approximately 0.67% over the ten-day average closing price of approximately HK\$3.13 per Share prior to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the date of Subscription Agreements; and (v) a premium of approximately 0.92% over the thirty-day average closing price of approximately HK\$3.12 per Share prior to the date of Subscription Agreements. As the Share price movement had been adversely affected by the bearish stock market sentiment in Hong Kong during the Review Period, we consider that the Subscribers' willingness to set the Subscription Price at a premium to the Lowest Closing Price and equal to closing price of the Shares on the date of Subscription Agreements demonstrates their confidence in the Group's potential and future performance, and the Subscription Price therefore is in the interest of the Company and Shareholders as a whole.

3.1.2 Average daily trading volume of the Shares

Apart from historical daily closing prices of the Shares, we have reviewed the average daily trading volume of the Shares for each month during the Review Period, details of which are set out below:

	Number of trading days	Approximate average daily trading volume of the Shares (Number of shares)	Approximate percentage of average daily trading volume to total number of issued Shares ^(Note 1)	Approximate percentage of average daily trading volume to total number of issued Shares held by public Shareholders ^(Note 2)
Year 2021				
December	22	18,409	0.003%	0.006%
Year 2022				
January	21	10,495	0.002%	0.003%
February	17	9,129	0.001%	0.003%
March	23	8,765	0.001%	0.003%
April	18	33,867	0.006%	0.011%
May	20	15,960	0.003%	0.005%
June to the Latest Practicable Date	18	14,422	0.002%	0.005%

Source: website of the Stock Exchange

Notes:

1. Based on the total number of issued Shares as at 31 May 2022 as disclosed in the latest monthly return of the Company.
2. Based on the number of Shares held by public Shareholders calculated by deducting the Shares held by the Subscribers, Teeroy Limited and Ms. Yeh-Huang, Chun-Ying as at the Latest Practicable Date from the number of total issued Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the average daily trading volume of the Shares in each month ranged from approximately 8,765 Shares in March 2022 to approximately 33,867 Shares in April 2022, representing approximately 0.001% and 0.006% of the total number of issued Shares as at 31 May 2022 and approximately 0.003% and 0.011% of the total number of issued Shares held by public Shareholders as at 31 May 2022, respectively, indicating a relatively thin trading liquidity in general throughout the Review Period.

We are of the view that that conducting other fund-raising exercises such as debt financing, rights issue or open offer with issue price set at premium to prevailing market price of the Shares on the date of relevant agreement as in the case of the Subscriptions may not be feasible after considering (i) the relatively thin trading liquidity of the Shares in general as illustrated above; (ii) the historical loss-making position of the Group as mentioned in section 1.2 in this letter; and (iii) the Directors' view on the costs and benefits of each of the alternative fund-raising exercise mentioned in section 2.2 in this letter.

3.2 Comparable analysis of the Subscription Price

In order to assess the fairness and reasonableness of the terms of the Subscriptions, we have identified 10 comparable subscriptions of new shares (the “**Comparable Subscriptions**”) which are Hong Kong listed companies that have announced a subscription/issue of new shares under specific mandate for cash consideration during the period from 1 December 2022 (being six months prior to the date of Subscription Agreements) to the date of Subscription Agreements (the “**Comparable Period**”) which were not issuance of H shares. We consider the length of the Comparable Period is fair and representative because (i) it has generated a reasonable number of samples for our analysis and having a shorter period would result in an inadequate number of samples which might not be able to reflect the recent market trends/conditions; and (ii) it would capture the recent market trends while having a longer period may have been too distant in time, and making the samples less relevant in relation to the dynamic financial markets.

In our selection of the Comparable Subscriptions, we have excluded the subscriptions of new shares conducted by (i) China Wood International Holdings Co., Limited (stock code: 1822) announced on 10 March 2022, (“**China Wood**”); (ii) China Creative Global Holdings Limited (stock code: 1678) announced on 12 April 2022, (“**China Creative**”); (iii) Persta Resources Inc. (stock code: 3395) announced on 6 May 2022, (“**Persta**”); and Flying Financial Service Holdings Limited (stock code: 8030) announced on 23 May 2022, (“**Flying Financial**”, together with China Wood, China Creative and Persta, the “**Excluded Companies**”). China Wood, China Creative and Flying Financial have been excluded in our analysis as they were long suspended companies as at 31 May 2022 (i.e. the date of the Subscription Agreements), while Persta has been excluded in our analysis due to premium of the subscription price to the closing price per share on the date of the agreement in relation to the respective subscription of new shares is approximately 122.22%, which is more than six times of the next highest premium of 15.00% amongst the Comparable Subscriptions. We consider that the exclusion of the Excluded Companies would provide a more meaningful representation of the recent market norm so as to assess the fairness and reasonableness of the terms of the Subscriptions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that the Comparable Subscriptions announced by companies from different industries or sectors listed on the Stock Exchange provides a reasonable point of reference as compared to limiting comparable subscriptions of news shares as announced only by other biotech companies listed on the Stock Exchange due to (i) the relatively limited number of available biotech companies already listed on the Stock Exchange; (ii) as noted from the list of the Comparable Subscriptions, no biotech companies listed on the Stock Exchange had announced subscriptions during the Review Period which indicates limiting comparable subscriptions of news shares as announced only by other biotech companies listed on the Stock Exchange will result in a relatively limited sample of comparable subscriptions or the precedent cases being too distant in time, which are not fair and representative of the recent market trend; and (iii) unlike other commonly used analysis such as price-to-earnings ratio, price-to-book ratio, price-to-sales ratio, etc. which are industry specific, the premium/discount of subscription price over/to the closing price of the shares immediately before entering into of the subscription agreement aims to give a general picture of the market norm with regards to the terms of recent transactions which are similar in nature to the Subscriptions.

Based on our best information, knowledge and belief, the Comparable Subscriptions represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us. We consider that the Comparable Subscriptions form a fair and representative list of samples.

Shareholders should note that the business, operations and financial performance of the companies which conducted the Comparable Subscriptions may not be the same as that of the Group and we have not conducted any in-depth investigation into the businesses and operations of the companies which conducted the Comparable Subscriptions. However, we consider that the Comparable Subscriptions are fair and representative samples that could provide the Independent Shareholders with a general reference of transactions of similar nature conducted by companies listed on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the summaries of the Comparable Subscriptions:

Company name (Stock code)	Date of announcement	Size of the subscription (%) ^(Note 1)	Premium/ (discount) of the subscription price to the average closing price per share for the five consecutive trading days prior to the date of the agreement in relation to the respective subscription of new shares (%)	Premium/ (discount) of the subscription price to the average closing price per share for the five consecutive trading days prior to the date of the agreement in relation to the respective subscription of new shares (%)	Premium/ (discount) of the subscription price to the latest net assets value per share (%) ^(Note 2)
Hong Wei (Asia) Holdings Company Limited (8191)	16/12/2021	21.42	(10.98)	(15.90)	(87.10)
Cornerstone Technologies Holdings Limited (8391)	30/12/2021	7.46	(24.39)	(22.11)	317.08
Wealthking Investments Limited (1140)	31/12/2021	40.15	15.00	21.37	(27.04)
China South City Holdings Limited (1668)	31/12/2021	41.40	(17.39)	(12.58)	(89.09)
Zall Smart Commerce Group Ltd. (2098)	18/1/2022	5.09	13.64	12.11	(73.29)
China Ruyi Holdings Limited (136)	25/1/2022	1.30	9.17	8.60	N/A ^(Note 3)
Towngas Smart Energy Company Limited (1083)	18/3/2022	0.18	(14.39)	(19.85)	(53.68)
JD Logistics, Inc. (2618)	25/3/2022	4.23	4.39	(13.74)	159.12
Jinxin Fertility Group Limited (1951)	13/4/2022	0.60	13.64	7.65	51.83
China Hongguang Holdings Limited (8646)	17/5/2022	33.00	(13.04)	(5.88)	(51.11)
The Company	31/5/2022	24.38	0.00	4.79	372.62
	Max	41.40	15.00	21.37	317.08
	Min	0.18	(24.39)	(22.11)	(89.09)
	Average	15.48	(2.44)	(4.03)	16.30

Source: website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The size of subscription is calculated by dividing the number of shares to be issued under the subscription by the number of (i) total issued shares as extracted from the latest monthly return of equity issued on movement in securities/next day disclosure return prior to the publication of the relevant announcement; or (ii) in the event of proposed share consolidation, total number of issued consolidated shares upon share consolidation becoming effective.
2. The latest net assets value per share is calculated by dividing the net assets value as extracted from the latest annual/interim report or annual results announcement (adjusted by the exchange rate as at the end of the reporting period if the reporting currency is not in HK\$) by the number of total issued shares as extracted from the latest monthly return of equity issued on movement in securities/next day disclosure return prior to the publication of the relevant announcement.
3. China Ruyi Holdings Limited is excluded from the analysis of latest net assets value per share due to its premium of the subscription price to the latest net assets value per share being approximately 864.13%, which is more than twice of the next highest premium of 317.08% amongst the Comparable Subscriptions.

We note that the variance of the subscription price to the closing price per share of the Comparable Subscriptions on the date of the agreement range from a discount of approximately 24.39% to a premium of approximately 15.00%, with the average variance being a discount of approximately 2.44%. The Subscription Price is equal to the closing price per Share on the date of the agreement therefore falls within the range and above the average figure as represented by the Comparable Subscriptions which is in the interest of the Company and Shareholders as a whole.

We also note that the variance of the subscription price to the closing price per share of the Comparable Subscriptions for the five consecutive trading days prior to/up to and including the date of the agreement range from a discount of approximately 22.11% to a premium of approximately 21.37%, with the average variance being a discount of approximately 4.03%. The premium of the Subscription Price to the closing price per Share for the five consecutive trading days prior to/up to and including the date of the Subscription Agreements of approximately 4.79% therefore falls within the range and above the average figure as represented by the Comparable Subscriptions which is in the interest of the Company and Shareholders as a whole.

Regarding the latest net assets value per share of the Comparable Subscriptions, we note that the variance of the subscription price to the latest net assets value per share of the Comparable Subscriptions range from a discount of approximately 89.09% to a premium of approximately 317.08%, with the average variance being a premium of approximately 16.30%. The premium of the Subscription Price to the latest net assets value per Share of approximately 372.62% is therefore above both the high end of the range and the average figure as represented by the Comparable Subscriptions which is in the interest of the Company and Shareholders as a whole.

3.3 Our conclusion on the principal terms of the Subscription Agreements

After considering (i) the bearish market sentiment during the Review Period as discussed in section 3.1.1 of this letter; (ii) the relatively low liquidity of the Shares as discussed in sections 3.1.2 of this letter; (iii) the Subscription Price compares favorably against the Comparable Subscriptions as discussed in section 3.2 of this letter; and (iv) the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's unaudited cash and cash equivalents as at 30 April 2022 amounted to approximately RMB164.3 million which is insufficient to cover the proposed use of proceeds as mentioned in section 2.3 of this letter therefore necessitating the Subscriptions, we consider the terms of the Subscription Agreements are fair and reasonable to the Company and the Shareholders as a whole.

4 Potential dilution effect on the shareholding interests of the existing public Shareholders

As shown in the Board Letter under the section headed "2.4 Effects on shareholding structure of the Company", assuming there is no other change in the issued share capital and shareholding structure of the Company other than the Subscriptions, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 50.98% as at the Latest Practicable Date to approximately 40.99% (assuming no outstanding option under the Pre-IPO Share Option Scheme will be exercised prior to completion of the Subscriptions), representing a dilution of approximately 19.60%.

Taking into account (i) the reasons for the Subscriptions as discussed in section 2.2 of this letter; and (ii) the terms of the Subscription Agreements are fair and reasonable as discussed in section 3.3 of this letter, we consider that the potential dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as they are concerned.

CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) the Subscriptions are, although not in the ordinary and usual course of business of the Group, on normal commercial terms; and (ii) the terms of the Subscription Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Therefore, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution to approve the Subscriptions at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited
Kevin So
Director – Investment Banking Department

Note:

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore's type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. CONFIRMATION IN RELATION TO CENTERLAB AND MR. LIN, JUNG-CHIN

As disclosed on pages 282 to 283 of the Prospectus, as part of the measures adopted by the Company to address any potential competition and conflict of interest between the Company on one hand and Centerlab and its chairman Mr. Lin, Jung-Chin on the other hand, the Company has undertaken to the Stock Exchange to include the following statement in this circular.

The Company confirms that, as at the Latest Practicable Date, (i) none of Mr. Lin, Jung-Chin or any of his associates and relatives as defined in Rules 14A.12 and 14A.21(1)(a) of the Listing Rules respectively (the “**Relevant Persons**”) had discussed or voted on any matters relating to the Centerlab Subscription (the “**Relevant Matters**”) at any relevant meeting of the board of directors of Centerlab; and (ii) where the Relevant Matters involved the approval or deliberation by the board of directors or the investment committee of Centerlab, none of Mr. Lin, Jung-Chin or any of the Relevant Persons was a member of the investment committee of Centerlab at the material time.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 615,229,497 Shares, all of which were fully paid. Immediately after the full allotment and issue of the Subscription Shares, and assuming that no other Shares are issued or bought back in the interim, the issued share capital of the Company will comprise 765,229,497 Shares.

As at 31 May 2022, under the Pre-IPO Share Option Scheme, there were outstanding Pre-IPO Share Options which, if fully exercised, would result in the allotment and issue of 9,055,300 Shares.

The Shares are listed and traded, and the Subscription Shares will be listed and traded, on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

Since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date, there had not been any alternation in the issued share capital of the Company or any of its subsidiaries.

4. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director or chief executive	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	7,115,700 (L)	1.16%
	Interest through equity derivatives ⁽³⁾	1,162,500 (L)	0.19%
	Beneficiary of a trust ⁽⁴⁾	2,897,383 (L)	0.47%
Dr. Liu, Jun	Interest through equity derivatives ⁽³⁾	1,100,000 (L)	0.18%
	Beneficiary of a trust ⁽⁴⁾	2,741,609 (L)	0.45%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The calculation is based on the total number of 615,229,497 Shares in issue as at Latest Practicable Date and rounded off to two decimal places.
- (3) These interests represent the interests in Shares underlying the Pre-IPO Share Options (being unlisted physically-settled equity derivatives) held by Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.
- (4) These interests represent the Restricted Award Shares held by Teeroy Limited on trust for Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Center Laboratories, Inc.	Beneficial owner	179,561,700 (L)	29.19%
Mr. Pang Kee Chan Hebert ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital Partners II Limited ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital II L.P. ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital II Master Investment Limited ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital Investment V Limited ⁽³⁾	Beneficial owner	49,136,800 (L)	7.99%
Chengwei Evergreen Management, LLC ⁽⁴⁾	Interest in controlled corporation	56,573,500 (L)	9.20%
Chengwei Evergreen Capital, L.P. ⁽⁴⁾	Interest in controlled corporation	56,573,500 (L)	9.20%
Prime Success International Limited ⁽⁴⁾	Beneficial owner	56,573,500 (L)	9.20%
Vivo Capital LLC ⁽⁵⁾	Interest in controlled corporation	103,245,000 (L)	16.78%
Vivo Capital VIII, LLC ⁽⁵⁾	Interest in controlled corporation	103,245,000 (L)	16.78%

Name of Shareholder	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Vivo Capital Fund VIII, L.P. ⁽⁵⁾	Beneficial owner	90,718,100 (L)	14.75%
Tricor Trust (Hong Kong) Limited ⁽⁶⁾	Trustee	34,393,566 (L)	5.59%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The calculation is based on the total number of 615,229,497 Shares in issue as at the Latest Practicable Date and rounded off to two decimal places.
- (3) Advantech Capital Investment V Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 49,136,800 Shares. Advantech Capital Investment V Limited is wholly owned by Advantech Capital II Master Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is in turn wholly owned by Advantech Capital II L.P., a private equity fund incorporated under the laws of the Cayman Islands. The general partner of Advantech Capital II L.P. is Advantech Capital Partners II Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands. Advantech Capital Partners II Limited is wholly owned by Mr. Pang Kee Chan Hebert. For the purpose of the SFO, Advantech Capital II Master Investment Limited, Advantech Capital II L.P., Advantech Capital Partners II Limited and Mr. Pang Kee Chan Hebert are deemed to have an interest in the Shares held by Advantech Capital Investment V Limited.
- (4) Prime Success International Limited directly held 56,573,500 Shares. Prime Success International Limited is a company with limited liability incorporated under the laws of Hong Kong, which is wholly owned by Chengwei Evergreen Capital, L.P., a venture capital fund incorporated under the laws of the Cayman Islands. The general partner of Chengwei Evergreen Capital, L.P. is Chengwei Evergreen Management, LLC, a limited liability company incorporated under the laws of the Cayman Islands. For the purpose of the SFO, Chengwei Evergreen Capital, L.P. and Chengwei Evergreen Management, LLC are deemed to have an interest in the Shares held by Prime Success International Limited.
- (5) Vivo Capital Fund VIII, L.P. directly held 90,718,100 Shares, and Vivo Capital Surplus Fund VIII, L.P. directly held 12,526,900 Shares. Both Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (referred to collectively as Vivo VIII Funds) are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo VIII Funds is Vivo Capital VIII, LLC, which is registered in the State of Delaware of the United States. Vivo Capital LLC, registered in the State of California of the United States, serves as the management company of Vivo VIII Funds and has a form of advisory agreement with Vivo Capital VIII, LLC. For the purpose of the SFO, Vivo Capital VIII, LLC and Vivo Capital LLC are deemed to have an interest in the Shares held by Vivo Capital.
- (6) Tricor Trust (Hong Kong) Limited directly held 34,393,566 Shares as trustee of a trust established by the trust deed dated 29 May 2020 entered into with the Company in connection with the Restricted Share Award Scheme for the benefit of participants who are not connected persons of the Company.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executives of the Company whose interests are set out in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations” in this circular, had any interests or short positions in the Shares or underlying Shares as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

6. DIRECTORS’ INFORMATION

Directors’ Service Contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring and not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors’ Interests in Certain Matters

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group;
- (b) none of the Directors was materially interested in any contract or arrangement which is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (c) none of the Directors or their respective close associates had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there had been no material adverse change since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, in the financial or trading position of the Group.

8. EXPERT AND CONSENT

The following are the name and qualifications of the expert who has given its opinion or advice which is included in this circular:

Name	Qualifications
Grand Moore Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the expert named above:

- (a) had given and had not withdrawn its written consent (to be dated the date of this circular) to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its opinions and references to its name and logo in the form and context in which they are included;
- (b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.totbiopharm.com.cn>) for a period of not less than 14 days before the date of the Extraordinary General Meeting and will also be available for inspection at the Extraordinary General Meeting:

- (a) the Subscription Agreements;
- (b) the letter of advice from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) the written consent from Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (e) this circular.

10. LANGUAGE

In the event of any inconsistency, the English language text of this circular and the proxy form shall prevail over the Chinese language text.

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)

NOTICE IS HEREBY GIVEN that a hybrid extraordinary general meeting of TOT BIOPHARM International Company Limited (the “**Company**”) will be held on Friday, 22 July 2022 at 11:00 a.m. with the combination of a physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong and a virtual meeting online for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution with or without amendments:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the subscription agreement (the “**Centerlab Subscription Agreement**”) dated 31 May 2022 (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into by the Company as issuer and Center Laboratories, Inc. as subscriber in relation to the subscription of 33,750,000 new Shares (the “**Centerlab Subscription Shares**”) at the subscription price of HK\$3.15 per Share and the transactions contemplated therein be and are hereby approved;
- (b) the subscription agreement (the “**Vivo Subscription Agreement**”, together with the Centerlab Subscription Agreement, the “**Subscription Agreements**”) dated 31 May 2022 (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and entered into by the Company as issuer and Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) as subscriber in relation to the subscription of 116,250,000 new Shares (the “**Vivo Subscription Shares**”, together with the Centerlab Subscription Shares the “**Subscription Shares**”) at the subscription price of HK\$3.15 per Share and the transactions contemplated therein be and are hereby approved;
- (c) conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares, the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares, subject to and in accordance with the terms and conditions set out in the Subscription Agreements. This specific mandate so granted is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the directors by the shareholders of the Company at, before or after the passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) any one director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such acts, matters and things as are, in the opinion of such director of the Company, desirable or expedient to give effect to the Subscription Agreements, all the transactions contemplated thereunder and/or any matter ancillary or incidental thereto (including without limitation the allotment and issue of the Subscription Shares pursuant thereto), to agree to such variations, amendments or waivers to or of any of the provisions of the Subscription Agreements and all documents ancillary or incidental thereto as are, in the opinion of such director of the Company, not of a material nature and in the interest of the Company, and to effect or implement any other matter referred to in this resolution.”

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

Hong Kong, 5 July 2022

Notes:

1. In light of the recent COVID-19 pandemic, the above meeting or any adjournment thereof (the “EGM”) will be conducted in a hybrid manner with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the EGM either (a) through the physical meeting at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone.

Registered Shareholders will be able to attend the EGM, vote and submit questions online via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

2. Every member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy. Any member who holds two or more Shares may appoint more than one proxy. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
3. Where there are joint holders of any Shares, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares will alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the Company’s share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Wednesday, 20 July 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person if he so wishes. In the event of a member who has lodged a form of proxy attending the EGM, the form of proxy will be deemed to have been revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the EGM) for the proxy to receive the login access code to participate online in the e-Meeting System.

5. The register of members of the Company will be closed from Tuesday, 19 July 2022 to Friday, 22 July 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 18 July 2022 for registration of transfer.
6. The resolution set out in this notice shall be decided by poll.
7. References to time and dates in this notice are to Hong Kong time and dates.
8. In light of the epidemic situation of COVID-19 and to safeguard Shareholders' health and safety, the Company encourages Shareholders to consider joining the EGM through the Internet and voting online, or appointing the chairman of the EGM as their proxy to vote on the resolution, instead of attending the meeting in person. The Directors may attend the meeting remotely through video or telephone conference facilities.
9. The Company will take all practicable precautions to ensure the health and safety of Shareholders attending the EGM in person, including but not limited to mandatory screening of body temperatures, requiring attendees to bring and wear their own surgical masks, physical distancing, setting up separate rooms or partitioned areas, no food or beverage service, no handing out of gifts, restricting the number of non-Shareholder attendees, and prohibiting persons under quarantine or in contravention of the above precautions from entering the venue. The Company will continue to monitor the epidemic situation of COVID-19 and may alter the EGM arrangements at short notice. Shareholders are advised to check any future announcement(s) which may be published by the Company.

As at the date of this notice, the executive directors of the Company are Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying; the non-executive directors of the Company are Mr. Fu, Shan 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.