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东曜药业

TOT BIOPHARM International Company Limited

東曜藥業股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1875)

CONNECTED TRANSACTION IN RELATION TO CAPITAL INJECTION BY VIVO CAPITAL FUND VIII INTO A SUBSIDIARY OF THE COMPANY

INTRODUCTION

The Board is pleased to announce that on 7 January 2022, the Company, Vivo Capital Fund VIII and Yaozhan entered into the Capital Increase Agreement, pursuant to which Vivo Capital Fund VIII agreed to subscribe for new registered capital of Yaozhan in the amount of USD500,000 by way of cash injection. Yaozhan is currently a wholly-owned subsidiary of the Company, and will become a non-wholly-owned subsidiary of the Company upon the completion of the Capital Increase.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date

7 January 2022

Parties

- (1) The Company as the existing shareholder
- (2) Vivo Capital Fund VIII as the subscriber
- (3) Yaozhan as the target company

Subject Matter

As at the date of this announcement, Yaozhan is a direct wholly-owned subsidiary of the Company with a registered capital of USD2,350,000.

Pursuant to the Capital Increase Agreement, Vivo Capital Fund VIII agreed to subscribe for new registered capital of Yaozhan in the amount of USD500,000 by way of cash injection.

Conditions Precedent

The Capital Increase is subject to the following conditions precedent, none of which may be waived by any party to the Capital Increase Agreement:

- (a) The Capital Increase having been approved by the existing shareholder of Yaozhan (i.e. the Company) pursuant to the articles of association of Yaozhan;
- (b) Vivo Capital Fund VIII having completed its internal approval procedures necessary for it to make the Capital Increase, such as approval by its investment committee; and
- (c) Yaozhan having completed the relevant registrations and filings with PRC regulatory authorities in relation to the change of its shareholding structure and the amendment to its articles of association, and having obtained a newly issued business license of enterprise legal person.

Completion

Within one business day after the satisfaction of all of the aforesaid conditions precedent, the Capital Increase shall be completed, at which Yaozhan shall deliver to Vivo Capital Fund VIII an updated register of shareholders of Yaozhan reflecting the completion of the Capital Increase.

From the date of the completion of the Capital Increase, Vivo Capital Fund VIII shall obtain complete, unencumbered ownership in respect of its subscribed registered capital of Yaozhan and shall enjoy its corresponding rights as a shareholder of Yaozhan.

Vivo Capital Fund VIII shall pay up its subscribed registered capital of USD500,000 at a time after the completion of the Capital Increase to be separately agreed among the parties to the Capital Increase Agreement.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AND USE OF PROCEEDS THEREFROM

Yaozhan is a wholly-owned subsidiary of the Company principally engaged in consultancy services, promotion and sales relating to anti-tumor drugs. It has a 47% interest in Huayao, a joint venture company. For further details of Huayao, please refer to the Company's announcement dated 23 November 2021 in relation to the establishment of Huayao.

Vivo Capital LLC, as the management company of Vivo Capital Fund VIII, is fully supportive of, and is eager to promote, the Group's transformation of its sales and marketing strategies, in order to provide financial security for the Group's business development. Through the Capital Increase, Vivo Capital LLC will be able to provide in-depth support for the business development of Yaozhan, thereby promoting the development of the Group's business in the sales and marketing of innovative anti-tumor drugs. The amount of Vivo Capital Fund VIII's cash injection was determined with reference to Yaozhan's and Huayao's capital needs for a period of time ahead, and is expected to be used to support and develop Yaozhan's and Huayao's operations.

Based on the above, the Directors (including the independent non-executive Directors, but excluding Mr. Fu, Shan and Dr. Kung, Frank Fang-Chien who have abstained from voting on the Board resolution approving the Capital Increase Agreement and the Capital Increase) consider that the terms of the Capital Increase Agreement and the Capital Increase are fair and reasonable, and that the Capital Increase, although not in the ordinary and usual course of business of the Group, is on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

ACCOUNTING TREATMENT

As at the date of this announcement, Yaozhan is a wholly-owned subsidiary of the Company. Upon the completion of the Capital Increase, Yaozhan will have a total registered capital of USD2,850,000, comprising (i) USD2,350,000 (approximately 82.46%) subscribed for by the Company; and (ii) USD500,000 (approximately 17.54%) subscribed for by Vivo Capital Fund VIII, and on this basis, Yaozhan will be accounted for as a non-wholly-owned subsidiary of the Company.

It is expected that the articles of association of Yaozhan after the Capital Increase will specify that any profit distribution by Yaozhan will be made in proportion to the paid-up capital of its shareholders. As at the date of this announcement, the Company has paid up USD1,900,000 of the registered capital of Yaozhan. On this basis, it is expected that after Vivo Capital Fund VIII is to pay up its subscribed registered capital of Yaozhan in the amount of USD500,000, the Company and Vivo Capital Fund VIII will be entitled to approximately 79.17% and 20.83%, respectively, of any profit distribution by Yaozhan.

LISTING RULES IMPLICATIONS

Based on public information, as at the date of this announcement, Vivo Capital Fund VIII and its affiliate Vivo Capital Surplus Fund VIII, L.P. (which has the same general partner as Vivo Capital Fund VIII) in aggregate hold approximately 16.78% of the total issued share capital of the Company. As such, Vivo Capital Fund VIII is a substantial shareholder of the Company, and is hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the Capital Increase constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined under Rules 14.04(9) and 14A.77 of the Listing Rules) in respect of the Capital Increase is 0.1% or more but is less than 5%, the Capital Increase is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but is nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the Company's percentage shareholding in Yaozhan will decrease from 100% to approximately 82.46% upon the completion of the Capital Increase, the Capital Increase technically also constitutes a deemed disposal of approximately 17.54% of the Company's interest in Yaozhan under Rule 14.29 of the Listing Rules. As both Yaozhan and Huayao are companies newly incorporated in 2021 which currently do not have any significant assets and operations, the applicable percentage ratios (as defined under Rules 14.04(9) and 14A.77 of the Listing Rules) in respect of such deemed disposal are negligible, and it is expected that such deemed disposal will not have a significant effect on the Group's consolidated financial statements.

Two of the non-executive Directors, namely Mr. Fu, Shan and Dr. Kung, Frank Fang-Chien, represent Vivo Capital Fund VIII on the Board and are managing members of Vivo Capital Fund VIII's general partner. As such, they are considered to have a material interest in the Capital Increase Agreement and the Capital Increase and have 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 Capital Increase Agreement and the Capital Increase.

INFORMATION ON THE PARTIES

About the Company

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

About Vivo Capital Fund VIII

Vivo Capital Fund VIII is a limited partnership organized in the State of Delaware of the United States, which has been a shareholder of the Company since December 2015. Vivo Capital Fund VIII is one of the funds managed by Vivo Capital LLC, which is a global healthcare investment firm with approximately USD5.8 billion in assets under management as at 31 December 2020, and provides a multi-fund investment platform, covering private equity including buyout, venture capital, and public equity. Funds managed by Vivo Capital LLC primarily invest in the United States and the PRC, spanning the areas of biotechnology, pharmaceuticals, medical devices, and healthcare services.

About Yaozhan

Yaozhan is a direct wholly-owned subsidiary of the Company as at the date of this announcement, and has a 47% interest in Huayao, a joint venture company. For details of Yaozhan and Huayao, please refer to the section headed "Reasons for and Benefits of the Capital Increase and Use of Proceeds Therefrom" above.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Capital Increase”	the subscription by Vivo Capital Fund VIII for new registered capital of Yaozhan in the amount of USD500,000 by way of cash injection pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 7 January 2022 entered into among the Company as the existing shareholder, Vivo Capital Fund VIII as the subscriber and Yaozhan as the target company
“Company”	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose shares are listed on the Stock Exchange (stock code: 1875)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayao”	Huayao Pharmaceutical (Suzhou) Company Limited* (華曜醫藥(蘇州)有限公司), a company incorporated in the PRC with limited liability on 23 November 2021
“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
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan regions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America

“USD”	United States dollar(s), the lawful currency of the United States
“Vivo Capital Fund VIII”	Vivo Capital Fund VIII, L.P., a limited partnership organized in the State of Delaware of the United States on 17 December 2014
“Yaozhan”	Yaozhan Pharmaceutical Jiangsu Co., Ltd.* (曜展醫藥江蘇有限公司), a company incorporated in the PRC with limited liability on 13 May 2021, which is a direct wholly-owned subsidiary of the Company as at the date of this announcement

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

Hong Kong, 7 January 2022

As at the date of this announcement, 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, Dr. Kung, Frank Fang-Chien, Mr. Kang, Pei and Mr. Qiu, Yu Min; and the independent non-executive Directors of the Company are Ms. Hu, Lan, Dr. Sun, Lijun Richard and Mr. Chang, Hong-Jen.

* For identification purpose only