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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)

DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

The Board of the Company is pleased to announce that, on 23 November 2021, Yaozhan (a wholly-owned subsidiary of the Company), CR Pharma & Commercial (an independent third party) and Suzhou Huayao Yuan (an employee shareholding platform) jointly established Huayao Pharmaceutical (Suzhou) Company Limited* (華曜醫藥(蘇州)有限公司), a joint venture company.

Huayao is a limited liability company established in the PRC and is a pharmaceutical sales company intended to be principally engaged in the promotion and sales of innovative oncology drugs and the provision of professional medical services to cancer patients and oncology medical professionals.

As the highest applicable percentage ratio in respect of the formation of Huayao is 5% or more but is less than 25%, the formation of Huayao constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE JOINT VENTURE

1. Establishment Date

23 November 2021

2. JV Parties

- (1) Yaozhan;
- (2) CR Pharma & Commercial; and
- (3) Suzhou Huayao Yuan.

For further information of the JV Parties, please refer to the section headed “Information on the Parties” below.

As all the JV Parties are legal entities established in the PRC, the JV Parties has established Huayao in accordance with requirements under relevant laws and regulations of the PRC (including the Company Law of the PRC) and the JV Articles executed by them. The operation and management of Huayao are governed by the JV Articles.

3. Purpose of Formation of Huayao

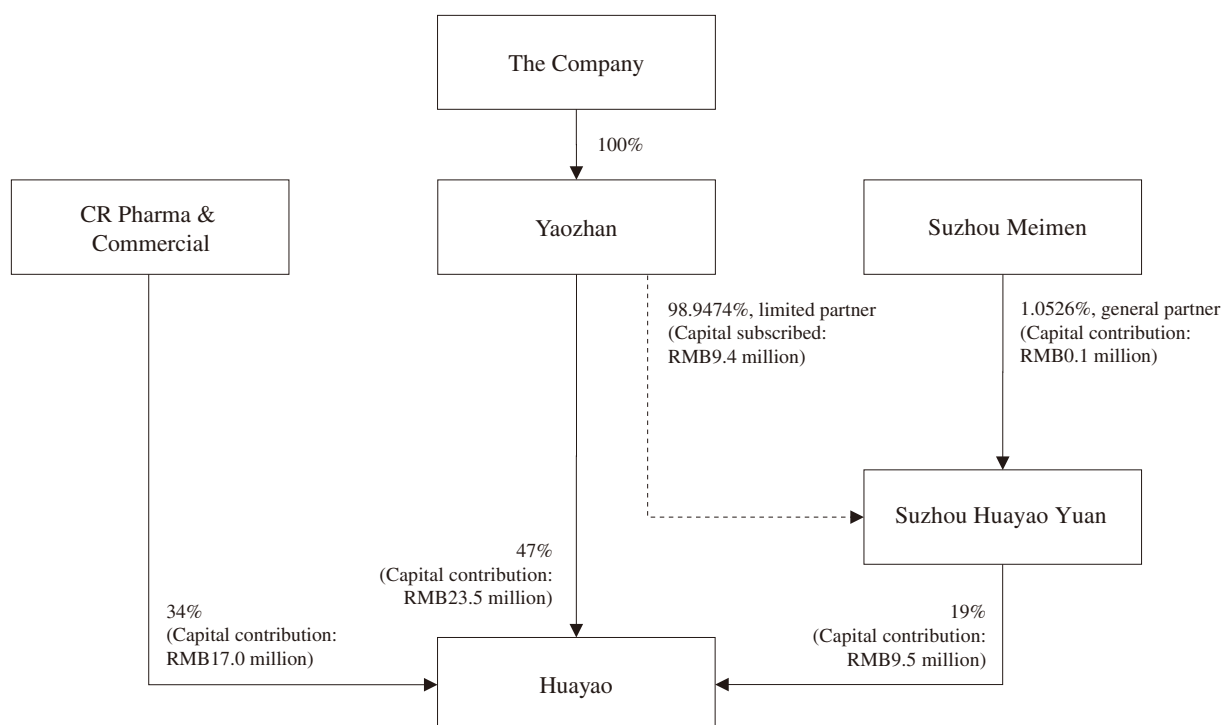
In response to the national pharmaceutical policy reforms and development trends, the Group intends to collaborate with CR Pharma & Commercial as a strategic alliance partner to promote the transformation of commercial operation mode with respect to oncology drugs and the innovative development of the oncology drugs market. Huayao is a pharmaceutical sales company intended to be principally engaged in the promotion and sales of innovative oncology drugs and the provision of professional medical services to cancer patients and oncology medical professionals.

4. Capital Contribution

The total registered capital of Huayao is RMB50.0 million. The respective contributions of capital by Yaozhan, CR Pharma & Commercial and Suzhou Huayao Yuan are RMB23.5 million (representing 47% of the registered capital), RMB17.0 million (representing 34% of the registered capital) and RMB9.5 million (representing 19% of the registered capital). The amount of capital contribution to be made by the JV Parties was arrived at after arm’s length negotiations between the JV Parties having taken into account the expected capital requirements of Huayao.

All capital contributions will be made by cash and shall be made during the existence of Huayao. It is contemplated that the capital contribution payable by Yaozhan will be funded by internal resources of the Group.

Please refer to the diagram below for the shareholding structure of Huayao immediately after its formation.



5. Voting Power of the JV Parties

Pursuant to the JV Articles, approval of the JV Parties by exercising not less than 90% of voting powers of Huayao's shareholders is required for passing resolutions on certain important matters as specified in the JV Articles, including but not limited to the determination of business direction and investment plan of Huayao, the appointment or removal of directors or supervisors who are not employee representatives and setting their remunerations, and the amendment of the JV Articles, etc. Further, approval of the JV Parties by exercising more than 50% of voting powers of Huayao's shareholders is required for passing resolutions on any matter which is not an important matter.

While resolving on any related party transaction, any of the JV Parties who has a conflict of interest shall abstain from voting and the resolution shall be passed by not less than 90% of the voting powers held by the remaining JV Parties who are present in the relevant shareholders' meeting.

The voting power shall be exercised by the JV Parties in proportion to their respective amounts of paid-up capital, except that when the proportion of Suzhou Huayao Yuan's amount of paid-up capital exceeds 1%, the voting power of Suzhou Huayao Yuan shall be limited to 1% and CR Pharma & Commercial and Yaozhan will share the remaining 99% of the voting powers in accordance with the proportion of their respective amounts of paid-up capital.

6. Corporate Governance Structure and the Appointment of Directors, Supervisors and Senior Management

- (a) Shareholders — All shareholders of Huayao shall together constitute the highest body of authority of Huayao. With regards to how the shareholders of Huayao should exercise their authority, please refer to the sub-section headed “5. Voting Power of the JV Parties” above.
- (b) Board of directors — The JV Board shall consist of five directors, who shall be nominated by the shareholders of Huayao and elected through shareholders’ meeting. CR Pharma & Commercial shall have the right to nominate two of the directors and Yaozhan shall have the right to nominate three of the directors. The term of service of the directors is three years and they can be re-elected at the end of their term. Unanimous approval by directors who attend a meeting of the JV Board is required for passing resolutions on matters which are responsible by the JV Board under the JV Articles, including but not limited to the determination of plans for operation, investment and financing, setting annual financial budgets, and the appointment or dismissal of senior management including general manager, vice general managers and the head of finance and setting their remunerations, etc.
- (c) Chairman of the board — Huayao will appoint one chairman of the board, who shall be a candidate nominated by CR Pharma & Commercial and elected by more than half of the directors of Huayao.
- (d) Board of supervisors — Huayao will not establish a board of supervisors and will appoint only one supervisor, who shall be a candidate nominated by CR Pharma & Commercial and elected by all shareholders of Huayao.
- (e) General manager and legal representative — Huayao will appoint one general manager, who shall be a candidate nominated by Yaozhan and approved by the JV Board. The general manager will also act as the legal representative of Huayao. The term of service of the general manager is three years and he/she can be re-appointed at the end of the term.
- (f) Vice general managers — Huayao will appoint a certain number of vice general managers, whose appointment shall be nominated by the general manager and approved by the JV Board. CR Pharma & Commercial is entitled to nominate one of the vice general managers. The term of service of the vice general managers is three years and they can be re-appointed at the end of the term.
- (g) Head of finance — Huayao will appoint a head of finance, who shall be a candidate nominated by the general manager and approved by the JV Board.

INFORMATION ON THE PARTIES

1. The Company, the Group and Yaozhan

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

2. CR Pharma & Commercial

CR Pharma & Commercial is a company incorporated in the PRC with limited liability and a subsidiary of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司), whose shares are listed on the Stock Exchange (stock code: 3320). CR Pharma & Commercial is a large-scale pharmaceutical distribution company under the group of China Resources Pharmaceutical Group Limited and its principal operation is the sale and marketing of pharmaceutical goods, logistics and distribution, and provision of pharmaceutical supply chain solution services.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, CR Pharma & Commercial and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

3. Suzhou Huayao Yuan

Suzhou Huayao Yuan is a limited partnership established in the PRC by Yaozhan as a limited partner and Suzhou Meimen as a general partner for the sole purpose of acting as an employee shareholding platform for Huayao. Suzhou Meimen is a limited liability company established in the PRC and is held by certain non-director senior management members of Yaozhan. According to the partnership agreement, the registered capital of Suzhou Huayao Yuan is RMB9.5 million, among which RMB9.4 million (representing 98.9474% of the registered capital of Suzhou Huayao Yuan) has been subscribed for by Yaozhan. To encourage the employees in the pursuit of the performance goals of Huayao, the JV Parties intend to use Suzhou Huayao Yuan as an employee shareholding platform, whereby qualified employees of Huayao will be entitled to invest in Huayao through becoming limited partners of Suzhou Huayao Yuan. It is the mutual understanding of the partners of Suzhou Huayao Yuan that when qualified employees of Huayao make payment for their investments, the amount of capital subscribed for by Yaozhan will be reduced accordingly until it becomes zero during the existence of Suzhou Huayao Yuan.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The investment in Huayao is a golden opportunity for the Group in its active pursuit of a transformation of its sales and marketing strategies, and is in line with the strategic development of the Group. The investment can further optimize the Group's organizational structure by integrating its human resources and controlling the sales and marketing expenses in a reasonable manner. By fully utilizing the extensive sales and marketing channels and logistics channels for drugs of CR Pharma & Commercial and working together with the professional sales team of the Group in the area of oncology drugs, Huayao will open up the market for the sales of innovative oncology drugs and the provision of related medical services.

The Board is of the view that the terms of the formation of Huayao are fair and reasonable and in the interests of the Company and its shareholders as a whole.

ACCOUNTING TREATMENT

Huayao is a joint venture of the Group and its financial results will be accounted for in the consolidated financial statements of the Group using the equity method.

LISTING RULES IMPLICATIONS

Pursuant to Rules 14.15(2) and 14.22 of the Listing Rules, the amount of Huayao's registered capital to be contributed by Yaozhan and the amount of Suzhou Huayao Yuan's registered capital contractually subscribed for by Yaozhan shall be aggregated in the calculation of the applicable percentage ratios. As the highest applicable percentage ratio (as defined under Rule 14.04(9) the Listing Rules) in respect of the formation of Huayao is 5% or more but is less than 25%, the formation of Huayao constitutes a discloseable transaction of the Company (on an aggregated basis) and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

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

“CR Pharma & Commercial”	China Resources Pharmaceutical and Commercial Group International Trade Company Limited* (華潤醫藥商業集團國際貿易有限公司), a company incorporated in the PRC with limited liability on 4 February 1999, which is a subsidiary of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) whose shares are listed on the Stock Exchange (stock code: 3320)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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, which is a joint venture company established by the JV Parties
“JV Articles”	the articles of association of Huayao
“JV Board”	the board of directors of Huayao
“JV Parties”	Yaozhan, CR Pharma & Commercial and Suzhou Huayao Yuan
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Huayao Yuan”	Suzhou Huayao Yuan Consultancy Management Partnership (Limited Partnership)* (蘇州華曜員諮詢管理合夥企業(有限合夥)), a limited partnership established in the PRC on 10 August 2021, which is an employee shareholding platform of Huayao

“Suzhou Meimen”

Suzhou Meimen Consulting Management Company Limited* (蘇州美門諮詢管理有限責任公司), a company incorporated in the PRC with limited liability on 26 July 2021, which is a general partner of Suzhou Huayao Yuan

“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

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

Hong Kong, 23 November 2021

As at the date of this announcement, the executive Directors of the Company are Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun; 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