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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)

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

INTRODUCTION

Reference is made to (i) the section headed “Future Plans and Use of Proceeds” on pages 329 to 330 of the prospectus (the “**Prospectus**”) published by TOT BIOPHARM International Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**our**”) on 29 October 2019 (the “**Prospectus Disclosure**”); and (ii) the section headed “Other Information – Use of Net Proceeds from the Global Offering” on page 43 of the 2020 interim report published by the Company on 21 September 2020 (the “**2020 Interim Report Disclosure**”).

As stated in the 2020 Interim Report Disclosure, the net proceeds raised from the global offering of the Company which was completed on 8 November 2019 (the “**Net Proceeds**”) had not been utilized from 8 November 2019 to 31 December 2019, and were utilized in accordance with the proposed applications as set out in the Prospectus Disclosure during the six months ended 30 June 2020. Such manner of utilization of the Net Proceeds has continued till the date of this announcement.

CHANGE IN USE OF NET PROCEEDS

The board of directors of the Company (the “**Board**”) has resolved to change the use of the Net Proceeds with effect from the date of this announcement.

The table below sets forth (i) the changes made to the proposed applications of the Net Proceeds as stated in the Prospectus Disclosure and the 2020 Interim Report Disclosure (with additions shown in double underline and deletions shown in ~~double strikethrough~~); (ii) the unused amount of the Net Proceeds as at 30 September 2020 (the “**Unused Amount**”) before

and after the re-allocation among various proposed applications; and (iii) the expected timing for the full utilization of the Unused Amount:

No.	Purpose	Allocation of the Net Proceeds based on the Prospectus Disclosure (RMB'000, approximate)	Amount used as at 30 September 2020 (RMB'000, approximate)	The Unused Amount before the re-allocation (RMB'000, approximate)	The Unused Amount after the re-allocation (RMB'000, approximate)	Expected timing for the full utilization of the Unused Amount
(1)	For ongoing and planned clinical trials, preparation for registration filings, planned commercial launches (including sales and marketing) of TAB008	100,939	69,236	31,703	30,000	On or before 31 March 2021
(2)	For further R&D on various combination therapies involving TAB008 and other oncology treatment to cover a wider variety of indications	33,646	0	33,646	0	Not applicable
(3)	For ongoing and planned clinical trials, expansion of facilities, registration filings and potential commercial launch (including sales and marketing) of TAA013	89,723	64,279	25,444	70,000	On or before 30 June 2021
(4)	For ongoing and planned pre-clinical and clinical trials, expansion of facilities, preparation for registration filings and potential commercial launches (including sales and marketing) <u>as well as transformation and upgrade of platform technologies</u> of the other drug candidates in our pipeline, including but not limited to TOZ309, TOM312, <u>TAB014</u> and TAD011	134,585	65,617	68,968	45,000	On or before 30 June 2021
(5)	For non-project specific capital expenditure <u>and production capacity upgrade for overall integrated applications</u>	67,292	15,319	51,973	70,000	On or before 30 June 2021
(6)	For continued expansion of our product portfolio in cancer and potentially other therapeutic areas through internal research and external licenses and business development collaborations	8,972	0	8,972	0	Not applicable
(7)	For our working capital and other general corporate purposes	13,458	0	13,458	19,164	On or before 30 June 2021
Total		<u>448,615</u>	<u>214,451</u>	<u>234,164</u>	<u>234,164</u>	

REASONS FOR CHANGE IN USE OF NET PROCEEDS

The reasons for the above changes in the proposed applications of the Net Proceeds and re-allocation of the Unused Amount are as follows:

- (a) The Group has adjusted its business model and seeks to join hands with well-known domestic pharmaceutical companies by proactively negotiating licensing or collaboration schemes for the marketing rights in respect of several soon-to-be-commercialized pipeline products including TAB008, TOZ309 and others (i.e. purposes (1) and (4) above). Meanwhile, in terms of business strategies, purposes (2) and (6) above are no longer the Group's current priorities.
- (b) The Group has accelerated the progress of the Phase III clinical trial of TAA013 and enhanced its R&D and production platform technologies for ADC products, thereby ensuring that the Group will maintain its competitive edge in the domestic ADC field and be able to further pursue more self-developed pipeline products. Therefore, a greater portion of the Unused Amount is re-allocated to purpose (3) above.
- (c) The Group has adjusted its focus of R&D resource allocation to concentrate its resources on the R&D projects in respect of pipeline products that possess greater market superiority, and to reduce the resources devoted to non-core pipeline products after careful evaluation. Therefore, the portion of the Unused Amount for purpose (4) above is adjusted downwards.
- (d) The Group intends to fully leverage its existing production technologies and production capacity advantages to, on the basis of meeting the supply of soon-to-be-commercialized products, further strategically expand its high-value-added potential business opportunities and invest more resources in corresponding areas such as commercial development, facilities as well as ingredients and excipients to an appropriate extent. Therefore, the portion of the Unused Amount for purposes (5) and (7) above is adjusted upwards.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus, and considers that the above change in the use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

By Order of the Board
TOT BIOPHARM International Company Limited
Liu, Jun
Chief Executive Officer

Hong Kong, 27 October 2020

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.