
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)

**GRANT OF AWARD SHARES
UNDER RESTRICTED SHARE AWARD SCHEME
INVOLVING ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE,
CONNECTED TRANSACTION INVOLVING ISSUE OF
NEW SHARES TO TRUSTEE HOLDING SHARES ON
TRUST FOR CERTAIN DIRECTORS,
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee is set out on page 25 of this circular. A letter from the Independent Financial Adviser is set out on pages 26 to 47 this circular.

Resolutions will be proposed at the Extraordinary General Meeting of the Company to be held on Friday, 21 August 2020 at 4:00 p.m. with the combination of a physical meeting at Unit 1603-1604, 16/F, Causeway Bay Plaza 1, 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 not less than 48 hours before the time appointed for holding the meeting (i.e. not later than 4:00 p.m. on Wednesday, 19 August 2020) 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 resolutions, instead of attending the meeting in person. The Directors may attend the meeting remotely through video or telephone conference facilities.

In accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) made by the Chief Executive in Council of Hong Kong on 29 March 2020 and amended from time to time, as well as the Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation issued by the Securities and Futures Commission of Hong Kong and the Stock Exchange on 1 April 2020, 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.

3 August 2020

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	7
Letter from the Independent Board Committee	25
Letter from the Independent Financial Adviser	26
Appendix — General Information	48
Notice of Extraordinary General Meeting	58

DEFINITIONS

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

“2019 Annual Report”	the 2019 annual report published by the Company on 29 April 2020
“Administration Committee”	a sub-committee of the Board delegated with the power and authority by the Board to administer the Scheme
“Articles of Association”	the amended and restated articles of association of the Company which were adopted on 30 September 2019 and became effective on 28 October 2019
“Award Share(s)”	the Share(s) granted under the Scheme and allotted and issued (or to be allotted and issued) to the Trustees
“Board”	the board of Directors of the Company
“Capitalization Issue”	the capitalization issue in connection with the Global Offering as further described in the paragraph headed “3. Grant of Award Shares under the Scheme: The Compensatory Grant – Background of and Reason for the Compensatory Grant” in the section headed “Letter from the Board” of this circular
“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), which is a controlling shareholder 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)

DEFINITIONS

“Compensatory Grant”	the Grant of the Compensatory Shares on 29 May 2020 to the Compensatory Grantees as further described in the paragraph headed “3. Grant of Award Shares under the Scheme: The Compensatory Grant” in the section headed “Letter from the Board” of this circular
“Compensatory Grantee(s)”	84 Selected Participants in the Compensatory Grant
“Compensatory Share(s)”	31,413,796 Award Shares granted pursuant to the Compensatory Grant, which will be allotted and issued to the Trustees, or some of such Award Shares as the context may so require
“Director(s)”	the director(s) of the Company
“Directors’ Compensatory Share(s)”	those Compensatory Shares granted to Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun pursuant to the Compensatory Grant, comprising 5,638,992 Award Shares
“Extraordinary General Meeting”	a hybrid extraordinary general meeting of the Company to be held on Friday, 21 August 2020 at 4:00 p.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 which is set out on pages 58 to 60 of this circular
“Expiry Date”	the last date on which an Award Share may vest, immediately following which such Award Share shall lapse
“Global Offering”	the initial public offering of the Company which was completed on 8 November 2019
“Grant(s)”	grant(s) of Award Shares under the Scheme
“Grant Consideration”	the consideration to be paid by a Selected Participant to the Company before the vesting of his/her Award Shares
“Group”	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

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all three independent non-executive Directors, whose letter of advice in relation to the allotment and issue of the Directors’ Compensatory Shares to Trustee A 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 allotment and issue of the Directors’ Compensatory Shares to Trustee A 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 allotment and issue of the Compensatory Shares to the Trustees and are hence not required to abstain from voting on the Shareholders’ resolutions at the Extraordinary General Meeting
“Latest Practicable Date”	24 July 2020, 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
“Lumosa Therapeutics”	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司), a company incorporated in Taiwan with limited liability on 13 November 2000 whose shares are listed on the Taipei Exchange (stock code: 6535), which is an associate of Centerlab
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Personal Representative(s)”	the person(s) who, in accordance with the laws of succession of the domicile of a deceased Selected Participant, is/are entitled to receive the Award Shares on behalf of the estate of such deceased Selected Participant

DEFINITIONS

“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“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, details of which are disclosed on pages V-36 to V-47 of the Prospectus as well as pages 55 and 118 to 120 of the 2019 Annual Report
“Prospectus”	the prospectus dated 29 October 2019 published by the Company
“R&D Targets Fulfillment”	the fulfillment of performance targets mainly relating to the research and development progress of certain drug candidates of the Group, the date of which is linked to the Vesting Dates for certain Award Shares
“Restricted Share Award Scheme” or “Scheme”	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020, details of which are disclosed in the paragraph headed “2. Principal Terms of the Scheme” in the section headed “Letter from the Board” of this circular
“Scheme Rules”	the rules of the Scheme, as restated, supplemented and amended from time to time
“Selected Participant(s)”	person(s) selected by the Administration Committee to receive a Grant under the Scheme, as further described in the paragraph headed “2. Principal Terms of the Scheme – Operation – Selection Criteria for Selected Participants” in the section headed “Letter from the Board” of this circular
“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)

DEFINITIONS

“Specific Mandate”	the specific mandate for the allotment and issue of the Compensatory Shares to the Trustees, which is to be sought by the Company from the Independent Shareholders at the Extraordinary General Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taipei Exchange”	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
“Trust(s)”	Trust A and Trust B, or one of them as the context may so require
“Trust A”	the trust constituted by Trust Deed A
“Trust B”	the trust constituted by Trust Deed B
“Trust Deed(s)”	Trust Deed A and Trust Deed B, or one of them as the context may so require
“Trust Deed A”	the trust deed dated 29 May 2020 entered into between the Company and Trustee A in connection with the Scheme, as restated, supplemented and amended from time to time
“Trust Deed B”	the trust deed dated 29 May 2020 entered into between the Company and Trustee B in connection with the Scheme, as restated, supplemented and amended from time to time
“Trustee(s)”	Trustee A and Trustee B, or one of them as the context may so require
“Trustee A”	Teeroy Limited, a company incorporated in Hong Kong with limited liability on 8 February 1974
“Trustee B”	Tricor Trust (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 20 October 1977
“Unvested Share(s)”	such Award Shares which do not vest in the Selected Participants or which lapse
“US\$”	United States dollar(s), the lawful currency of the United States of America

DEFINITIONS

“Vesting Date” a date on which an Award Share is to vest, subject to the allotment and issue of such Award Share by the Company to the relevant Trustee and the receipt of the full amount of the Grant Consideration by the Company in respect of such Award Share

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

In this circular, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.75 for illustration purposes only.

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:

Ms. Yeh-Huang, Chun-Ying

(General Manager)

Dr. Liu, Jun

Registered Office:

Level 54, Hopewell Centre,

183 Queen's Road East,

Hong Kong

Non-Executive Directors:

Mr. Fu, Shan (Chairman)

Dr. Kung, Frank Fang-Chien

Mr. Kang, Pei

Mr. Qiu, Yu Min

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

120 Changyang Street,

Suzhou Industrial Park,

Suzhou, PRC

Independent Non-Executive Directors:

Ms. Hu, Lan

Dr. Sun, Lijun Richard

Mr. Chang, Hong-Jen

Share Registrar:

Tricor Investor Services Limited

Level 54, Hopewell Centre,

183 Queen's Road East,

Hong Kong

3 August 2020

To the Shareholders

Dear Sir or Madam,

**GRANT OF AWARD SHARES
UNDER RESTRICTED SHARE AWARD SCHEME
INVOLVING ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE,
CONNECTED TRANSACTION INVOLVING ISSUE OF
NEW SHARES TO TRUSTEE HOLDING SHARES ON
TRUST FOR CERTAIN DIRECTORS,
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 29 May 2020 in relation to the adoption of the Restricted Share Award Scheme and the Grant of Award Shares under the Scheme.

LETTER FROM THE BOARD

On 29 May 2020, the Company adopted the Restricted Share Award Scheme, and entered into two Trust Deeds with the respective Trustees to constitute the Trusts in connection with the Scheme for the purpose of the Grant of Award Shares to Selected Participants from time to time. The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. The Scheme was subsequently amended on 29 July 2020.

On 29 May 2020, following the adoption of the Scheme, the Board also resolved to make the Compensatory Grant involving 31,413,796 Award Shares to 84 Compensatory Grantees (including two Directors) under the Scheme.

The purposes of this circular are to:

- (a) provide you with, among other things, further details of (i) the Scheme, which has been amended subsequent to its adoption; (ii) the Compensatory Grant, which involves the allotment and issue of the Compensatory Shares under the Specific Mandate; and (iii) the allotment and issue of the Directors' Compensatory Shares to Trustee A, which constitutes a connected transaction of the Company;
- (b) set out (i) the letter of advice from the Independent Board Committee to the Independent Shareholders; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, both in relation to the allotment and issue of the Directors' Compensatory Shares to Trustee A; and
- (c) give you notice of the Extraordinary General Meeting.

2. PRINCIPAL TERMS OF THE SCHEME

Date of Adoption of the Scheme

29 May 2020, and amended on 29 July 2020

Objectives

The purposes of the Scheme are:

- (a) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and
- (b) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the Capitalization Issue in connection with the Global Offering on their Pre-IPO Share Options.

Administration

The Scheme shall be subject to the administration of the Administration Committee and the Trustees in accordance with the Scheme Rules and the Trust Deeds.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the members of the Administration Committee included Ms. Yeh-Huang, Chun-Ying (Executive Director and General Manager) and Mr. Chiu, Cheng-Yang (Director of Human Resources Division). Pursuant to the Scheme Rules, any Grant to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a Selected Participant of the Grant).

Trustee A shall hold the trust funds under Trust A only on behalf of Selected Participants who are connected persons of the Company (including but not limited to Directors), while Trustee B shall hold the trust funds under Trust B on behalf of other Selected Participants.

The terms of Trust Deed A and Trust Deed B are substantially the same, except that Trust Deed B specifically provides that Trustee B may not use any of its powers thereunder in a manner that would allow any connected person of the Company to be included or construed as, or otherwise deemed to be, a discretionary object or beneficiary of Trust B or the trust funds thereunder for any purpose.

Scheme Limits

The aggregate number of Shares which may be allotted and issued to the Trustees under the Scheme during the life of the Scheme may not exceed 57,000,000 Shares (being 10% of the issued share capital of the Company as at the date of the adoption of the Scheme) or such other limit as determined by the Administration Committee at its sole discretion.

During the financial year ending 31 December 2020, a maximum of 31,413,796 Shares (being approximately 5.51% of the issued share capital of the Company as at the date of the adoption of the Scheme) may be allotted and issued to the Trustees pursuant to the Compensatory Grant.

Other than the allotment of Shares pursuant to the Compensatory Grant to be issued during the financial year ending 31 December 2020, the maximum number of Shares which may be allotted and issued to the Trustees under the Scheme during each of the financial years following 2020 and until the termination of the Scheme may not exceed 14,250,000 Shares (being 2.5% of the issued share capital of the Company as at the date of the adoption of the Scheme).

The maximum number of Award Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 5,700,000 Shares (being 1% of the issued share capital of the Company as at the date of the adoption of the Scheme).

Operation

Grant and Acceptance of Award Shares

Subject to the restrictions set out in the subparagraph headed “Restrictions” below, the Administration Committee may, from time to time at its absolute discretion, select any employee (including a Director) of or consultant to the Group to be a Selected Participant and make a Grant to him/her.

LETTER FROM THE BOARD

In determining the Selected Participant(s), the number of Award Shares to be granted, the Grant Consideration, the Vesting Date(s), the Expiry Date(s) and other terms and conditions of a Grant, the Administration Committee shall take into consideration any matter it considers relevant.

Where any Grant is proposed to be made to any Selected Participant who is a connected person of the Company, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement, circular and/or Shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

After the Administration Committee has determined a Selected Participant and the terms and conditions of the Grant, it shall notify the relevant Trustee and the Selected Participant about these terms and conditions in writing. Upon receipt of such notification, the Grant shall be deemed to be irrevocably accepted by the Selected Participant unless the Selected Participant notify the Administration Committee in writing within five business days that he/she declines to accept the Grant.

Non-Acceptance or Lapse of Award Shares Prior to Listing Application

If any Selected Participant declines to accept the Grant, the Grant to him/her shall lapse forthwith and the relevant Award Shares shall not form part of the listing application (Form C1 in Appendix 5 to the Listing Rules) and accordingly shall not be allotted and issued to the relevant Trustee.

If any Award Share lapses pursuant to the Scheme Rules as described in the subparagraph headed "Lapse of Award Shares" below prior to the submission of the listing application, such Award Share shall not form part of the listing application and accordingly shall not be allotted and issued to the relevant Trustee.

Selection Criteria for Selected Participants

A Selected Participant shall be an employee (including a Director) of or consultant to the Group. The selection criteria for a Selected Participant under the Scheme include, among other things:

- whether he/she is a holder of outstanding Pre-IPO Share Options, who should be compensated for the dilutive effect of the Capitalization Issue (this criterion is only applicable to the Compensatory Grant);
- whether he/she is of sufficient seniority within the Group, which should typically be vice general manager or above;
- whether he/she is considered to be a key talent of the Group in terms of his/her technical skills, know-how, contribution to key business development milestones and other relevant factors; and
- whether he/she is a newly hired or newly promoted member of the Group's senior management personnel, who previously has not received Share-based incentives.

LETTER FROM THE BOARD

Consultants to the Group are typically former employees of the Group who currently have a consultancy agreement with the Group. The criteria for determining whether to make a Grant to a consultant include, among other things:

- the consultant's contribution to the Group when he/she was an employee;
- the significance of the research and development projects of which the consultant was in charge when he/she was an employee;
- the value of the know-how and other expertise possessed by the consultant; and
- the expected effectiveness of Share-based incentives in motivating and retaining the consultant.

Subscription of Award Shares by the Trustees

Subject to the restrictions set out in the subparagraph headed "Restrictions" below, the Administration Committee may, from time to time at its absolute discretion, instruct the Trustees to subscribe for, and procure the Company to allot and issue, any new Shares in connection with any Grant. Such subscription shall be made at the subscription price specified by the Administration Committee, and shall be funded by the Company.

The new Shares in connection with a Grant will be allotted and issued under general mandate or, if such general mandate is unavailable, under specific mandate, and all applicable requirements under the Listing Rules will be complied with, including Shareholders' approval having been obtained. The Company will comply with Chapter 14A of the Listing Rules if a Grant is made to any connected person of the Company and the relevant new Shares are to be allotted and issued to Trustee A.

The Administration Committee is expected to determine the subscription price of the new Shares in connection with a Grant with reference to, among other things, (i) the share-based compensation expenses per Share (if any) to be recorded in the Group's consolidated financial statements in connection with the Grant; and (ii) the actual cash inflow per Share (if any) to the Company at the time of the Grant. By linking the subscription price of the Award Shares to the profit and loss as well as cash flow impacts of the Grant, the fairness and reasonableness of the subscription price is ensured.

Vesting of Award Shares

Any Award Shares granted to a Selected Participant shall vest in such Selected Participant on the latest of (i) the Vesting Date in respect of such Award Shares; (ii) the date of the allotment and issue of such Award Shares by the Company to the relevant Trustee; and (iii) the date of the receipt of the full amount of the Grant Consideration by the Company in respect of such Award Shares.

LETTER FROM THE BOARD

As soon as practicable after the Award Shares have vested in a Selected Participant, the Administration Committee shall instruct the relevant Trustee to effect the transfer of the vested Award Shares to the Selected Participant. Once the vested Award Shares are transferred from the relevant Trustee to the Selected Participant, they shall no longer be subject to any restrictions and limitations under the Scheme Rules and shall rank *pari passu* with other Shares.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all Shareholders resulting in a change in control of the Company, and such offer becomes or is declared unconditional prior to the vesting of any Award Shares, then all such unvested Award Shares shall immediately vest in the respective Selected Participants and shall be transferred to such Selected Participants in accordance with the aforesaid procedures.

Lapse of Award Shares

In respect of each Award Share of a Selected Participant, such Award Share shall lapse on the earliest of the following dates, subject to any agreement between the Company and the Selected Participant (or, in respect of (d) or (e) below, his/her Personal Representative(s)) to the contrary:

- (a) the date immediately following the Expiry Date in respect of such Award Share;
- (b) the date of resignation, retirement, dismissal or expulsion of the Selected Participant from the Group;
- (c) in the case of unpaid leave of the Selected Participant due to governmental order, serious illness, family misadventure, further studies or other reasons, three months after the commencement of such unpaid leave (in respect of any Award Share for which the Vesting Date has not occurred);
- (d) in the case of death of the Selected Participant not due to occupational hazards, the date of death (in respect of any Award Share for which the Vesting Date has not occurred) or one year after the date of death (in respect of any Award Share for which the Vesting Date has occurred);
- (e) in the case of death or incapacity of the Selected Participant due to occupational hazards, one year after the date of death or incapacity (in respect of any Award Share for which the Vesting Date has occurred); and
- (f) when the Selected Participant is in breach of his/her employment contract or scope of duties or the Group's reward and punishment policies (in respect of any Award Share for which the Vesting Date has not occurred).

Once lapsed, the Award Shares shall become Unvested Shares, the treatment of which is set out in the subparagraph headed "Unvested Shares" below.

LETTER FROM THE BOARD

Unvested Shares

Where any Award Shares granted to a Selected Participant and issued to the relevant Trustee:

- (a) do not vest in accordance with the Scheme Rules and become Unvested Shares; or
- (b) lapse in accordance with the Scheme Rules and become Unvested Shares,

the relevant Trustee shall sell such Unvested Shares on the Stock Exchange at the then prevailing market price by way of market order. The proceeds of such sale shall be treated as cash income of the trust funds under the relevant Trust, and may be used to (i) cover the costs and expenses of the relevant Trustee in the performance of its duties under the relevant Trust Deed; and (ii) fund the subscription of new Award Shares by the relevant Trustee in connection with any future Grant made by the Administration Committee.

Restrictions

Under the following circumstances, (i) no Grant shall be made by the Administration Committee to any Selected Participant; (ii) no new Shares shall be allotted and issued by the Company to the Trustees; and (iii) no vested Award Shares shall be transferred by the Trustees to any Selected Participants:

- (a) where the Company is in possession of unpublished inside information;
- (b) where dealing in the Shares by such Selected Participant is prohibited under the Listing Rules, the SFO or any other applicable law or regulation or any internal policy of the Company;
- (c) in respect of any Selected Participant who is a Director, within the blackout period stipulated in the Model Code; or
- (d) in any other circumstances which are prohibited under the Listing Rules, the SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authority has not been granted.

Any Grant made shall be personal to the Selected Participant to whom it is made and shall not be assignable. No Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Award Shares.

Dividend and Other Cash and Non-Cash Income

A Selected Participant shall have no contingent interest in an Award Share and no rights in any dividend or other cash and non-cash income in respect of an Award Share prior to its transfer to him/her as described in the subparagraph headed "Operation – Vesting of Award Shares" above. The Trustees shall, to the extent that they consider practicable,

LETTER FROM THE BOARD

endeavor to sell all such non-cash income. The aforesaid dividend and other cash income and sale proceeds of non-cash income shall be treated as cash income of the trust funds under the Trusts, and may be used to cover the costs and expenses of the Trustees in the performance of their duties under the Trust Deeds.

Voting Rights

The Trustees shall not exercise any voting rights in respect of any Shares held under the Trusts. Meanwhile, there is no mechanism under the Scheme Rules and the Trust Deeds whereby the Selected Participants may exercise, or may instruct the Trustees to exercise, any voting rights attached to any Shares held under the Trusts. Therefore, no party may exercise the voting rights attached to any Shares held under the Trusts unless and until such Shares are transferred to the relevant Selected Participants.

Amendment

The Scheme may be amended in any respect by the Board at a meeting with at least two-thirds of all Directors in attendance and more than half of such Directors approving the amendment, provided that no such amendment shall be made without the prior consent of the Trustees and shall operate to affect adversely any subsisting rights of any Selected Participant.

Duration and Termination

The Scheme shall commence on the date of its adoption and shall remain valid and effective for a period of ten years from such date. Without prejudice to any subsisting rights of any Selected Participant, the Scheme may be terminated on an earlier date or extended by a resolution of the Board.

Upon the termination of the Scheme, no further Award Shares shall be granted, and all Award Shares which are not vested shall become Unvested Shares. As soon as practicable after the termination of the Scheme, the Trustees shall (i) sell all Unvested Shares on the Stock Exchange at the then prevailing market price by way of market order and also sell any non-cash income remaining in the Trusts; (ii) apply the proceeds of such sale and any other cash income remaining in the Trusts to cover the costs and expenses of the Trustees in the performance of their duties under the Trust Deeds; and (iii) to the extent there is any residual cash accrued in the Trusts, distribute such cash as trust funds to the settlor of the Trusts in accordance with applicable laws. For the avoidance of doubt, the Trustees may not transfer any Shares to the Company, nor may the Company otherwise hold any Shares whatsoever (other than its interest in the aforesaid residual cash).

3. GRANT OF AWARD SHARES UNDER THE SCHEME: THE COMPENSATORY GRANT

Date of the Compensatory Grant

29 May 2020

LETTER FROM THE BOARD

Background of and Reason for the Compensatory Grant

As disclosed on pages 179 and 284 of the Prospectus, pursuant to the Capitalization Issue, the Company allotted and issued 342,557,624 Shares at a ratio of approximately 2.4924 new Shares for each then existing Share (subject to certain rounding adjustments), such that the issued share capital of the Company increased from 137,442,376 Shares to 480,000,000 Shares immediately prior to the completion of the Global Offering.

When the Pre-IPO Share Options were granted, the number of underlying Shares was calculated according to the principle that the grantees would own a specific percentage of the issued share capital of the Company notwithstanding any subsequent changes to the issued share capital of the Company. However, the terms of the Pre-IPO Share Option Scheme do not contain a definite anti-dilution mechanism in respect of the number of Shares underlying each outstanding Pre-IPO Share Option. Consequentially, at the time of the Capitalization Issue, no upward adjustment was made to the number of Shares underlying each outstanding Pre-IPO Share Option. Therefore, the Pre-IPO Share Options outstanding at the time of the Capitalization Issue has suffered an unintended dilutive effect as a result of the Capitalization Issue. In other words, the percentage ownership in the Company represented by such Pre-IPO Share Options has decreased.

To restore the intended effectiveness of the Pre-IPO Share Option Scheme in terms of incentivization and compensate the holders of Pre-IPO Share Options for the aforesaid dilutive effect, the Board has resolved to adopt the Scheme and make the Compensatory Grant.

The Capitalization Issue was a one-off procedural step taken in preparation for the Global Offering to increase the total number of issued Shares on a pro rata basis and hence reduce the per board lot value of the Shares. The Compensatory Grant is a one-off special arrangement to address the absence of a definite anti-dilution mechanism in respect of the number of Shares underlying each outstanding Pre-IPO Share Option under the terms of the Pre-IPO Share Option Scheme, which were first formulated and adopted in 2013 without contemplating the Capitalization Issue. The Board does not intend to make any similar compensatory Share-based grants to the holders of Pre-IPO Share Options in the case of any future enlargement of the issued share capital of the Company.

Compensatory Grantees

As disclosed on page V-36 of the Prospectus, there were 97 participants under the Pre-IPO Share Option Scheme. Over time, the Pre-IPO Share Options held by 13 of these participants had fully lapsed and been cancelled as at the date of the Compensatory Grant by reason of these participants' resignation from the Group or otherwise.

As such, the Compensatory Grantees comprise 84 Selected Participants, all of whom were holders of Pre-IPO Share Options outstanding as at the date of the Compensatory Grant, including 79 employees of and 5 consultants to the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, apart from Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, both of whom are executive Directors, (i) none of the Compensatory Grantees is a Director, chief executive or substantial shareholder of the Company or any of their respective associates; and (ii) all of the Compensatory Grantees are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

Terms of the Compensatory Grant

The Compensatory Shares comprise 31,413,796 Award Shares, representing approximately 5.51% of the issued share capital of the Company as at the date of the adoption of the Scheme and the Latest Practicable Date, and approximately 5.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Compensatory Shares. Based on the closing market price per Share of HK\$4.45 as at the date of the Compensatory Grant and HK\$4.95 as at the Latest Practicable Date, the total market value of the Compensatory Shares was approximately HK\$139,791,392 and HK\$155,498,290, respectively.

The principal terms of the Compensatory Grant are set out as follows:

Allottee	Compensatory Grantee	Number of Award Shares	Grant Consideration (per Award Share)	Vesting Date	Expiry Date
Trustee A	Ms. Yeh-Huang, Chun-Ying	965,795	US\$0.28634	Vested as at the date of the Compensatory Grant	13 December 2027
		965,794	US\$0.28634	14 December 2020	13 December 2027
		965,794	US\$0.28634	14 December 2021	13 December 2027
		2,897,383			

Trustee A	Dr. Liu, Jun	623,093	US\$0.28634	Vested as at the date of the Compensatory Grant	24 December 2027
		623,093	US\$0.28634	Vested as at the date of the Compensatory Grant	24 December 2027
		623,093	US\$0.28634	1 January 2021	24 December 2027
		623,093	US\$0.28634	1 January 2022	24 December 2027
		49,848	US\$0.28634	The date of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,848	US\$0.28634	The second anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,847	US\$0.28634	The third anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029

LETTER FROM THE BOARD

Allottee	Compensatory Grantee	Number of Award Shares	Grant Consideration (per Award Share)	Vesting Date	Expiry Date
		49,847	US\$0.28634	The fourth anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,847	US\$0.28634	The fifth anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		----- 2,741,609 -----			
Trustee B	Other 82 Compensatory Grantees	25,774,804	US\$0.28634	Various dates, some of which are linked to R&D Targets Fulfillment ⁽¹⁾⁽²⁾	Various dates, no later than 17 June 2029
		----- 31,413,796 -----			

Notes:

- (1) As at the Latest Practicable Date, R&D Targets Fulfillment had not occurred.
- (2) A breakdown of the Vesting Dates of the Award Shares granted to the 82 non-Director Compensatory Grantees is set out as follows:

Vesting Date	Number of Award Shares
Vested as at the date of the Compensatory Grant	7,427,320
From 30 May 2020 to 31 December 2020	471,064
From 1 January 2021 to 31 December 2021	3,576,576
From 1 January 2022 to 31 December 2022	4,061,298
From 1 January 2023 to 31 December 2023	2,423,785
From 1 January 2024 to 31 December 2024	1,661,129
From 1 January 2025 to 31 December 2025	473,533
The date of R&D Targets Fulfillment	1,136,037
The second anniversary of R&D Targets Fulfillment	1,136,035
The third anniversary of R&D Targets Fulfillment	1,136,017
The fourth anniversary of R&D Targets Fulfillment	1,136,007
The fifth anniversary of R&D Targets Fulfillment	1,136,003

Total	25,774,804

LETTER FROM THE BOARD

Basis of Determination of the Number of Compensatory Shares and the Grant Consideration per Award Share

Number of Compensatory Shares

The number of Compensatory Shares was determined with reference to the merely compensatory and restorative nature of the Compensatory Grant, such that the following two values are the same (except for minor rounding differences): (i) the total exercise price of all outstanding Pre-IPO Share Options had the Capitalization Issue not occurred; and (ii) the total exercise price of all outstanding Pre-IPO Share Options as adjusted by the Capitalization Issue plus the total Grant Consideration of the Compensatory Shares. The relevant calculation is set out as follows:

- (i) *The total exercise price of all outstanding Pre-IPO Share Options had the Capitalization Issue not occurred*

Number of Shares underlying all outstanding Pre-IPO Share Options (as at the date of the Compensatory Grant)	=	12,604,000
Multiplied by: Exercise price (per Share) had the Capitalization Issue not occurred	=	US\$1.00
Total exercise price of all outstanding Pre-IPO Share Options	=	<u>US\$12,604,000</u>

- (ii) *The total exercise price of all outstanding Pre-IPO Share Options as adjusted by the Capitalization Issue plus the total Grant Consideration of the Compensatory Shares*

Number of Shares underlying all outstanding Pre-IPO Share Options (as at the date of the Compensatory Grant)	=	12,604,000
Multiplied by: Exercise price (per Share) as adjusted by the Capitalization Issue	≈	US\$0.28634
Total adjusted exercise price of all outstanding Pre-IPO Share Options	≈	<u>US\$3,609,029</u>

Number of Compensatory Shares	=	31,413,796
Multiplied by: Grant Consideration (per Share)	=	US\$0.28634
Total Grant Consideration of all Compensatory Shares	≈	<u>US\$8,995,026</u>

Total adjusted exercise price of all outstanding Pre-IPO Share Options		
+ Total Grant Consideration of all Compensatory Shares	≈	<u>US\$12,604,055</u>

LETTER FROM THE BOARD

Grant Consideration per Award Share

The Grant Consideration per Award Share under the Compensatory Grant was determined with reference to the exercise price of the Pre-IPO Share Options (as adjusted upon the Capitalization Issue) as disclosed on page V-38 of the Prospectus. The calculation of such adjusted exercise price is set out as follows:

$$\begin{aligned} \text{Adjusted exercise price of the Pre-IPO Share Options} &= \text{Original exercise price of the Pre-IPO Share Options} \times \frac{\text{Number of Shares in issue} + \frac{\text{Amount paid for each new Share} \times \text{Number of new Shares}}{\text{Original exercise price of the Pre-IPO Share Options}}}{\text{Number of Shares in issue} + \text{Number of new Shares}} \\ &= \text{US\$1.00} \times \frac{137,442,376 + \frac{\text{US\$0} \times 342,557,624}{\text{US\$1.00}}}{137,442,376 + 342,557,624} \\ &\approx \text{US\$0.28634} \end{aligned}$$

Subscription Price and Financial Impact of the Compensatory Shares

As explained in the subparagraphs headed “Background of and Reason for the Compensatory Grant” and “Basis of Determination of the Number of Compensatory Shares and the Grant Consideration per Award Share” above, the purpose of the Compensatory Grant is purely to reverse the dilutive effect of the Capitalization Issue on the Pre-IPO Share Options. It is expected that the Compensatory Grant will not result in any additional benefits and hence no additional share-based compensation expenses will be recorded in the Group’s consolidated financial statements.

As such, the Compensatory Shares will be allotted and issued to the Trustees at a subscription price of zero, and no cash flow will be involved at the time of the Compensatory Grant. Pursuant to the Scheme Rules, the Award Shares granted to a Compensatory Grantee shall vest in such Compensatory Grantee upon, among other things, the receipt of the full amount of the Grant Consideration by the Company in respect of such Award Shares.

The Directors consider that the number of Compensatory Shares, the Grant Consideration per Award Share and the other terms and conditions of the Compensatory Grant are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

The allotment and issue of the Compensatory Shares shall be subject to (i) the Independent Shareholders having approved at the Extraordinary General Meeting the Specific Mandate as well as the allotment and issue of the Directors’ Compensatory Shares to Trustee A; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Compensatory Shares.

LETTER FROM THE BOARD

Listing Approval

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Compensatory Shares to be allotted and issued to the Trustees pursuant to the Compensatory Grant.

Use of Proceeds

Assuming that all Compensatory Shares are vested, the Company will receive a total Grant Consideration of approximately US\$8,995,026.35 (equivalent to approximately HK\$69,711,454). The Company intends to apply such Grant Consideration (after deducting relevant fees and expenses) as the general working capital of the Group.

A detailed breakdown of the intended use of proceeds is not currently available because of the following reasons:

- (a) the total Grant Consideration will not be received as a lump sum, but will instead be received in batches as and when each Compensatory Grantee pays the Grant Consideration in respect of part or all of his/her Compensatory Shares in order to have such Shares vested, the timing of which payment is out of the Company's control;
- (b) as explained in the subparagraph headed "Terms of the Compensatory Grant" above, the Vesting Dates in respect of some of the Compensatory Shares are linked to R&D Targets Fulfillment, which had not occurred as at the Latest Practicable Date; and
- (c) since some of the Compensatory Shares may later become Unvested Shares by reason of the relevant Compensatory Grantees' resignation from the Group, their inability or unwillingness to pay the Grant Consideration or otherwise, the Company eventually may not receive the full amount of US\$8,995,026.35 stated above.

4. LISTING RULES IMPLICATIONS OF THE COMPENSATORY GRANT

Specific Mandate

As the Compensatory Shares will be allotted and issued to the Trustees at a subscription price of zero, the general mandate granted to the Directors prior to the Global Offering by the then Shareholders as disclosed on pages V-10 to V-11 of the Prospectus could not, and the general mandate granted to the Directors pursuant to the ordinary resolution numbered 4A passed at the Company's annual general meeting held on 24 June 2020 cannot, be used for such allotment and issue.

Therefore, the Specific Mandate for the allotment and issue of the Compensatory Shares to the Trustees pursuant to the Compensatory Grant will be sought by the Company from the Independent Shareholders by way of the ordinary resolutions numbered 1A and 1B to be put forward at the Extraordinary General Meeting.

LETTER FROM THE BOARD

Connected Transaction

The Directors' Compensatory Shares are granted to Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, both of whom are executive Directors, and will be allotted and issued to Trustee A, which shall hold Award Shares only on behalf of Selected Participants who are connected persons of the Company. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, Trustee A (acting in its capacity as the trustee of Trust A) is an associate of the aforesaid Directors and hence a connected person of the Company.

Therefore, the allotment and issue of the Directors' Compensatory Shares to Trustee A constitutes a connected transaction of the Company, and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, being two of the Compensatory Grantees, have a material interest in the Compensatory Grant and have therefore abstained from voting on the relevant Board resolutions.

The ordinary resolution numbered 2 will be put forward by the Company at the Extraordinary General Meeting for the Independent Shareholders to consider and, if thought fit, approve the aforesaid allotment and issue.

The Independent Board Committee comprising all three independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the allotment and issue of the Directors' Compensatory Shares to Trustee A. The letter of advice from the Independent Board Committee is set out on page 25 of this circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the allotment and issue of the Directors' Compensatory Shares to Trustee A. The letter of advice from the Independent Financial Adviser is set out on pages 26 to 47 of this circular.

5. INFORMATION ABOUT THE PARTIES

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 Prospectus and the 2019 Annual Report for the latest business and financial information of the Company. In particular, please refer to (i) the consolidated financial statements of the Group for the year ended 31 December 2019 on pages 63 to 138 of the 2019 Annual Report; and (ii) the three-year financial summary for the years ended 31 December 2017, 2018 and 2019 on page 139 of the 2019 Annual Report.

The Trustees are trust or company service provider licence holders registered with the Companies Registry of Hong Kong, and are members of the Tricor Group, a leading provider of business, corporate, investor, human resources and payroll as well as corporate trust and debt services in Asia. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for Trustee A (acting in its capacity as the trustee of Trust A), the Trustees are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

6. VOTING BY POLL

All the resolutions set out in the notice of the Extraordinary General Meeting will be decided by poll in accordance with the Listing Rules. The poll results will be published on the Company's website at www.totbiopharm.com.cn and the Stock Exchange's website at www.hkexnews.hk after the conclusion of the Extraordinary General Meeting.

As far as the Company is aware having made all reasonable enquiry, as at the Latest Practicable Date, save for Ms. Yeh-Huang, Chun-Ying holding 7,115,700 Shares personally, and four other Compensatory Grantees (not being Directors) holding a total of 803,200 Shares personally or through an investment holding vehicle, no Shareholder had a material interest in the Compensatory Grant. These five Shareholders, holding 7,918,900 Shares in aggregate (representing approximately 1.39% of the issued share capital of the Company as at the Latest Practicable Date), have a material interest in the allotment and issue of the Compensatory Shares to the Trustees and are hence required to abstain from voting on the Shareholders' resolutions at the Extraordinary General Meeting.

7. EXTRAORDINARY GENERAL MEETING

Notice of the Extraordinary General Meeting is set out on pages 58 to 60 of this circular. 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 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (i.e. not later than 4:00 p.m. on Wednesday, 19 August 2020) 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.

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. Each registered Shareholder's personalized login and access code will be sent to him or her under separate copy around one week before the Extraordinary General Meeting.

Non-registered Shareholders 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.

LETTER FROM THE BOARD

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

Facsimile: (852) 2810-8185

8. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 25 of this circular which contains the advice of the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser set out on pages 26 to 47 of this circular which contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the Appendix (General Information) on pages 48 to 57 of this circular.

9. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020 (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, 17 August 2020 for registration of transfer.

10. RECOMMENDATIONS

In relation to the Compensatory Grant, which Involves the Allotment and Issue of the Compensatory Shares under the Specific Mandate

The Directors consider that the number of Compensatory Shares, the Grant Consideration per Award Share and the other terms and conditions of the Compensatory Grant are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolutions to approve the Specific Mandate (i.e. the ordinary resolutions numbered 1A and 1B in the notice of the Extraordinary General Meeting).

LETTER FROM THE BOARD

In relation to the Allotment and Issue of the Directors' Compensatory Shares to Trustee A, which Constitutes a Connected Transaction of the Company

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the allotment and issue of the Directors' Compensatory Shares to Trustee A, although not in the ordinary and usual course of business of the Group, is on normal commercial terms, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favor of the resolution to approve the allotment and issue of the Directors' Compensatory Shares to Trustee A (i.e. the ordinary resolution numbered 2 in the notice of the Extraordinary General Meeting).

Yours faithfully,

For and on behalf of the Board

TOT BIOPHARM International Company Limited

Yeh-Huang, Chun-Ying

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 allotment and issue of the Directors' Compensatory Shares to Trustee A.

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)

3 August 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES TO TRUSTEE HOLDING SHARES ON TRUST FOR CERTAIN DIRECTORS

We refer to the circular of the Company dated 3 August 2020 (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 as to whether or not the allotment and issue of the Directors' Compensatory Shares to Trustee A is in the ordinary and usual course of business of the Group, is on normal commercial terms, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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 26 to 47 of the Circular, we are of the opinion that the allotment and issue of the Directors' Compensatory Shares to Trustee A, although not in the ordinary and usual course of business of the Group, is on normal commercial terms, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favor of the resolution to approve the allotment and issue of the Directors' Compensatory Shares to Trustee A (i.e. the ordinary resolution numbered 2 in the notice of the Extraordinary General Meeting).

Yours faithfully,

For and on behalf of the Independent Board Committee

Hu, Lan

*Independent Non-Executive
Director*

Sun, Lijun Richard

*Independent Non-Executive
Director*

Chang, Hong-Jen

*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant (as defined below) and prepared for the purpose of incorporation into this 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

3 August 2020

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

Dear Sirs,

CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES TO TRUSTEE HOLDING SHARES ON TRUST FOR CERTAIN DIRECTORS

INTRODUCTION

We refer to our engagement by the Company as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of connected transaction involving the allotment and issue of new Shares to Trustee holding Shares on trust for certain Directors under the Restricted Share Award Scheme (the “**Connected Grant**”), the particulars of which have been set out in the “Letter from the Board” (the “**Board Letter**”) in a circular to the Shareholders dated 3 August 2020 (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.

Reference is made to the announcement of the Company dated 29 May 2020 in relation to the adoption of the Restricted Share Award Scheme and the Grant of Award Shares under the Scheme.

On 29 May 2020, the Company adopted the Restricted Share Award Scheme, and entered into two Trust Deeds with the respective Trustees to constitute the Trusts in connection with the Scheme for the purpose of the Grant of Award Shares to Selected Participants from time to time. The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. The Scheme was subsequently amended on 29 July 2020.

On 29 May 2020, following the adoption of the Scheme, the Board also resolved to make the Compensatory Grant involving 31,413,796 Award Shares to 84 Compensatory Grantees (including two Directors) under the Scheme.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors' Compensatory Shares are granted to Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun (collectively, the "**Connected Grantees**"), both of whom are executive Directors, and will be allotted and issued to Trustee A, which shall hold Award Shares only on behalf of Selected Participants who are connected persons of the Company. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, Trustee A (acting in its capacity as the trustee of Trust A) is an associate of the aforesaid Directors and hence a connected person of the Company.

Therefore, the allotment and issue of the Directors' Compensatory Shares to Trustee A constitutes a connected transaction of the Company, and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Connected Grant. In the past two years, we have not acted as any financial adviser role to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no 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. Also, the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Connected Grant.

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 2019 Annual Report; (iii) the Prospectus; (iv) other information provided by the Directors and the management of the Company (the "**Management**"); and (v) 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 advisers 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 therein 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.

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 Connected Grant, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Connected Grant. The Company has been separately advised by its own professional advisers with respect to the Connected Grant and the preparation of the Circular (other than this letter).

We have assumed that the Connected Grant 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 Connected Grant, 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 Connected Grant. 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. Please refer to the Prospectus and the 2019 Annual Report for the latest business and financial information of the Company. In particular, please refer to (i) the consolidated financial statements of the Group for the year ended 31 December 2019 (“FY2019”) on pages 63 to 138 of the 2019 Annual Report; and (ii) the three-year financial summary for the years ended 31 December 2017, 2018 (“FY2018”) and 2019 on page 139 of the 2019 Annual Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has a comprehensive portfolio of oncology drug candidates, which include monoclonal antibodies, antibody drug conjugates, 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.

1.2 Financial information on the Group

Set out below is the key audited consolidated financial information of the Group for each of FY2018 and FY2019 as extracted from the 2019 Annual Report.

	FY2019 RMB'000	FY2018 RMB'000
Revenue	45,308	39,219
Loss attributable to equity holders of the Company	(299,300)	(268,263)
Adjusted net loss attributable to equity holders of the Company	(206,739)	(194,973)

Revenue of the Group amounted to approximately RMB45,308,000 in FY2019 which represents an increase of approximately RMB6,089,000, or approximately 15.5%, from approximately RMB39,219,000 in FY2018. As per the 2019 Annual Report, the Group's diversified revenue was mainly derived from its strategic business partners, including but not limited to, commissions for marketing services in connection with the commercialization of S-1, an oncology drug developed by Taiho Pharmaceutical of Beijing Co., Ltd., and revenue for providing contract manufacturing organization ("CMO") services and contract development and manufacturing organization ("CDMO") services to other biotechnology companies. Revenue generated from commission for marketing services of S-1 increased from approximately RMB26,111,000 in FY2018 to approximately RMB29,822,000 in FY2019, representing an increase of approximately RMB3,711,000, or approximately 14.2%, which is primarily attributable to growth in sales of S-1. Furthermore, the Group's revenue from CMO and CDMO services in FY2019 amounted to approximately RMB14,566,000, representing an increase of approximately RMB2,092,000, or approximately 16.8%, from approximately RMB12,474,000 in FY2018, primarily attributable to the continuous support of its CMO and CDMO partners.

The Group, nonetheless, recorded an increase in loss attributable to equity holders of the Company from approximately RMB268,263,000 in FY2018 to approximately RMB299,300,000 in FY2019, representing a year-on-year increase of approximately RMB31,037,000, or approximately 11.6%. According to the 2019 Annual Report, the Group adopts adjusted net loss, which excludes the effect of certain non-cash items and one-off items, namely listing and financing expenses, valuation loss of convertible preferred shares, foreign exchange gains or losses and share-based compensation expenses, in order to supplement the Group's consolidated financial statements which are presented in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

accordance with the Hong Kong Financial Reporting Standards. The Group is of the view that such adjusted net loss can reflect the Group's normal results of operations, and thus facilitate comparisons of operating performance from period to period to the extent appropriate by eliminating potential impacts of items that the Management does not consider to be indicative of the Group's operating performance. The aforesaid adjusted net loss increased from approximately RMB194,973,000 in FY2018 to approximately RMB206,739,000 in FY2019, indicating a year-on-year increase of approximately RMB11,766,000, or approximately 6.0%. In other words, under normal operations, which items that are not indicative of the Group's operating performance are eliminated, the Group should record a relatively less significant increase in net loss as evidenced by the increase in adjusted net loss of approximately 6.0%. However, the increase in net loss was attributable to the combined effects of, including but not limited to, (i) increase in operating revenue as discussed immediately above of approximately 15.5%; (ii) increase in cost of revenue of approximately 89.2% from approximately RMB5,980,000 in FY2018 to approximately RMB11,316,000 in FY2019; and (iii) increase in general and administrative expenses of approximately 74.0% from approximately RMB54,638,000 in FY2018 to approximately RMB95,091,000 in FY2019.

Set out below are certain key audited consolidated financial information of the Group as extracted from the consolidated balance sheet set out in the 2019 Annual Report.

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,017,362	677,238
Total liabilities	159,085	861,716
Net assets/(liabilities) attributable to equity holders of the Company	858,277	(184,478)

The total assets of the Group amounted to approximately RMB1,017,362,000 as at 31 December 2019, representing an increase of approximately RMB340,124,000, or approximately 50.2%, as compared to RMB677,238,000 as at 31 December 2018. Besides, the Group managed to turn around from a net liabilities position of approximately RMB184,478,000 as at 31 December 2018 to a net assets position of approximately RMB858,277,000 as at 31 December 2019. With reference to the 2019 Annual Report, such significant improvement in the overall financial structure of the Group was mainly attributable to the proceeds from the Global Offering and the conversion of convertible preferred shares into share capital.

1.3 Information on the Trustees

The Trustees are trust or company service provider license holders registered with the Companies Registry of Hong Kong, and are members of the Tricor Group, a leading provider of business, corporate, investor, human resources and payroll as well as corporate trust and debt services in Asia. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for Trustee A (acting in its capacity as the trustee of Trust A), the Trustees are third parties independent of the Company and its connected persons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2 Information on the Restricted Share Award Scheme

The Scheme was adopted on 29 May 2020 and amended on 29 July 2020, with the following purposes:

- (a) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and
- (b) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the Capitalization Issue in connection with the Global Offering on their Pre-IPO Share Options.

Please refer to the section headed "Principal Terms of the Scheme" in the Board Letter for further information on the Scheme.

3 The Compensatory Grant

With reference to the Board Letter, 31,413,796 Award Shares under the Scheme (i.e. the Compensatory Shares) were granted on 29 May 2020.

3.1 Background of and reason for the Compensatory Grant

As disclosed on pages 179 and 284 of the Prospectus, pursuant to the Capitalization Issue, the Company allotted and issued 342,557,624 Shares at a ratio of approximately 2.4924 new Shares for each then existing Share (subject to certain rounding adjustments), such that the issued share capital of the Company increased from 137,442,376 Shares to 480,000,000 Shares immediately prior to the completion of the Global Offering.

When the Pre-IPO Share Options were granted, the number of underlying Shares was calculated according to the principle that the grantees would own a specific percentage of the issued share capital of the Company notwithstanding any subsequent changes to the issued share capital of the Company. However, the terms of the Pre-IPO Share Option Scheme do not contain a definite anti-dilution mechanism in respect of the number of Shares underlying each outstanding Pre-IPO Share Option. Consequentially, at the time of the Capitalization Issue, no upward adjustment was made to the number of Shares underlying each outstanding Pre-IPO Share Option. Therefore, the Pre-IPO Share Options outstanding at the time of the Capitalization Issue has suffered an unintended dilutive effect as a result of the Capitalization Issue. In other words, the percentage ownership in the Company represented by such Pre-IPO Share Options has decreased.

To restore the intended effectiveness of the Pre-IPO Share Option Scheme in terms of incentivization and compensate the holders of Pre-IPO Share Options for the aforesaid dilutive effect, the Board has resolved to adopt the Scheme and make the Compensatory Grant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Capitalization Issue was a one-off procedural step taken in preparation for the Global Offering to increase the total number of issued Shares on a pro rata basis and hence reduce the per board lot value of the Shares. The Compensatory Grant is a one-off special arrangement to address the absence of a definite anti-dilution mechanism in respect of the number of Shares underlying each outstanding Pre-IPO Share Option under the terms of the Pre-IPO Share Option Scheme, which were first formulated and adopted in 2013 without contemplating the Capitalization Issue. The Board does not intend to make any similar compensatory Share-based grants to the holders of Pre-IPO Share Options in the case of any future enlargement of the issued share capital of the Company.

3.2 Terms of the Compensatory Grant

The Compensatory Shares comprise 31,413,796 Award Shares, representing approximately 5.51% of the issued share capital of the Company as at the date of the adoption of the Scheme and the Latest Practicable Date, and approximately 5.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Compensatory Shares. Based on the closing market price per Share of HK\$4.45 as at the date of the Compensatory Grant and HK\$4.95 as at the Latest Practicable Date, the total market value of the Compensatory Shares was approximately HK\$139,791,392 and HK\$155,498,290, respectively.

The principal terms of the Compensatory Grant extracted from the Board Letter are set out as follows:

Allottee	Compensatory Grantee	Number of Award Shares	Grant Consideration (per Award Share)	Vesting Date	Expiry Date
<i>In respect of the Connected Grantees</i>					
Trustee A	Ms. Yeh-Huang, Chun-Ying	965,795	US\$0.28634	Vested as at the date of the Compensatory Grant	13 December 2027
		965,794	US\$0.28634	14 December 2020	13 December 2027
		965,794	US\$0.28634	14 December 2021	13 December 2027
		2,897,383			

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Allottee	Compensatory Grantee	Grant		Vesting Date	Expiry Date
		Number of Award Shares	Consideration (per Award Share)		
Trustee A	Dr. Liu, Jun	623,093	US\$0.28634	Vested as at the date of the Compensatory Grant	24 December 2027
		623,093	US\$0.28634	Vested as at the date of the Compensatory Grant	24 December 2027
		623,093	US\$0.28634	1 January 2021	24 December 2027
		623,093	US\$0.28634	1 January 2022	24 December 2027
		49,848	US\$0.28634	The date of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,848	US\$0.28634	The second anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,847	US\$0.28634	The third anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,847	US\$0.28634	The fourth anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
		49,847	US\$0.28634	The fifth anniversary of R&D Targets Fulfillment ⁽¹⁾	20 January 2029
				2,741,609	

In respect of the other Compensatory Grantees (excluding the Connected Grantees) (the “Independent Grantees”)

Trustee B	Other 82 Compensatory Grantees	25,774,804	US\$0.28634	Various dates, some of which are linked to R&D Targets Fulfillment ⁽¹⁾⁽²⁾	Various dates, no later than 17 June 2029
Total		31,413,796			

Notes:

- (1) As at the Latest Practicable Date, R&D Targets Fulfillment had not occurred.
- (2) A breakdown of the Vesting Dates of the Award Shares granted to the Independent Grantees (i.e. the 82 non-Director Compensatory Grantees) is set out as follows:

Vesting Date	Number of Award Shares
Vested as at the date of the Compensatory Grant	7,427,320
From 30 May 2020 to 31 December 2020	471,064
From 1 January 2021 to 31 December 2021	3,576,576
From 1 January 2022 to 31 December 2022	4,061,298
From 1 January 2023 to 31 December 2023	2,423,785
From 1 January 2024 to 31 December 2024	1,661,129
From 1 January 2025 to 31 December 2025	473,533
The date of R&D Targets Fulfillment	1,136,037
The second anniversary of R&D Targets Fulfillment	1,136,035
The third anniversary of R&D Targets Fulfillment	1,136,017
The fourth anniversary of R&D Targets Fulfillment	1,136,007
The fifth anniversary of R&D Targets Fulfillment	1,136,003
Total	25,774,804

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.3 *Basis of determination of the number of Compensatory Shares and the Grant Consideration per Award Share*

Number of Compensatory Shares

The number of Compensatory Shares was determined with reference to the merely compensatory and restorative nature of the Compensatory Grant, such that the following two values are the same (except for minor rounding differences): (i) the total exercise price of all outstanding Pre-IPO Share Options had the Capitalization Issue not occurred; and (ii) the total exercise price of all outstanding Pre-IPO Share Options as adjusted by the Capitalization Issue plus the total Grant Consideration of the Compensatory Shares. The relevant calculation is set out as follows:

- (i) *The total exercise price of all outstanding Pre-IPO Share Options had the Capitalization Issue not occurred*

Number of Shares underlying all outstanding Pre-IPO Share Options (as at the date of the Compensatory Grant)	=	12,604,000
Multiplied by: Exercise price (per Share) had the Capitalization Issue not occurred	=	US\$1.00
Total exercise price of all outstanding Pre-IPO Share Options	=	<u>US\$12,604,000</u>

- (ii) *The total exercise price of all outstanding Pre-IPO Share Options as adjusted by the Capitalization Issue plus the total Grant Consideration of the Compensatory Shares*

Number of Shares underlying all outstanding Pre-IPO Share Options (as at the date of the Compensatory Grant)	=	12,604,000
Multiplied by: Exercise price (per Share) as adjusted by the Capitalization Issue	≈	US\$0.28634
Total adjusted exercise price of all outstanding Pre-IPO Share Options	≈	<u>US\$3,609,029</u>
Number of Compensatory Shares	=	31,413,796
Multiplied by: Grant Consideration (per Share)	=	US\$0.28634
Total Grant Consideration of all Compensatory Shares	≈	<u>US\$8,995,026</u>
Total adjusted exercise price of all outstanding Pre-IPO Share Options + Total Grant Consideration of all Compensatory Shares	≈	<u>US\$12,604,055</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Grant Consideration per Award Share

The Grant Consideration per Award Share under the Compensatory Grant was determined with reference to the exercise price of the Pre-IPO Share Options (as adjusted upon the Capitalization Issue) as disclosed on page V-38 of the Prospectus. The calculation of such adjusted exercise price is set out as follows:

$$\begin{array}{rcl}
 \text{Adjusted exercise price} & & \\
 \text{of the Pre-IPO Share} & = & \\
 \text{Options} & & \\
 & & \text{Original exercise price} \\
 & & \text{of the Pre-IPO Share} \\
 & & \text{Options} \\
 & & \times \frac{\text{Number of Shares} \\
 & & \text{in issue} + \frac{\text{Amount paid for each new Share} \times \\
 & & \text{Number of new Shares}}{\text{Original exercise price of the} \\
 & & \text{Pre-IPO Share Options}}}{\text{Number of Shares in issue} + \text{Number of new Shares}} \\
 & & \\
 & = & \\
 & \text{US\$1.00} & \times \frac{137,442,376 + \frac{\text{US\$0} \times 342,557,624}{\text{US\$1.00}}}{137,442,376 + 342,557,624} \\
 & \approx & \\
 & \text{US\$0.28634} &
 \end{array}$$

3.3.1 Comparable analysis on the Compensatory Grant (including the Connected Grant)

In order to assess the fairness and reasonableness of the terms of the Connected Grants, we have identified 25 comparable grants of award shares (the “**Comparable Grants**”) which are Hong Kong listed companies that have announced a grant /allotment/issue of award shares (including restricted shares) for the three months period ended on the date which the Board resolved to make the Compensatory Grant (i.e. 29 May 2020) (the “**Review Period**”). The Comparable Grants comprise of 6 grants of award shares to solely independent third parties (the “**Comparable Independent Grants**”), 4 grant of award shares to solely connected person (the “**Comparable Connected Grants**”) and 15 grants of award shares to both connected persons and independent third parties (the “**Comparable Connected and Independent Grants**”). Based on our best information, knowledge and belief, the Comparable Grants represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us. We consider analysis of merely the Comparable Connected Grants may produce a biased result given that (i) there were only 4 Comparable Connected Grants during the Review Period; and (ii) all of the Comparable Connected Grants only issued to one and only one connected person of the respective company, and thus the percentage figures of total number of award shares issued to total number of shares then in issue are by nature much smaller in magnitude. However, given that the terms of Comparable Independent Grants should be arrived at after arm’s length negotiations between the listed company and its respective independent third parties, inclusion of the Comparable Independent Grants would allow us to evaluate whether the terms of Compensatory Grants are more favorable than terms of grants of award shares to independent third parties in market, and hence providing an alternative perspective for us to assess the fairness

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and reasonableness of the terms of the Compensatory Grant which involves granting of Award Shares to connected persons. We consider the length of the Review Period is appropriate 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; 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. Shareholders should note that the business, operations and financial performance of the companies offering the Comparable Grants are not the same as the Group and we have not conducted any in-depth investigation into the businesses and operations of the companies offering the Comparable Grants. However, we consider that the Comparable Grants are fair and representative samples that could provide the Independent Shareholders with a general reference of companies listed on the Stock Exchange granting/ allotting/issuing award shares and the length of the vesting period.

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement ¹ (%)	Vesting date/period
26-May-2020	Huazhang Technology Holding Limited (1673)	Total number of grantees is not disclosed, all are independent third parties	1.36	Not disclosed
22-May-2020	China Mengniu Dairy Company Limited (2319)	Total number of grantees is not disclosed, including 1 connected person	0.23	Shall be vested in two equal batches on the first and second anniversaries of the date of grant

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement ¹ (%)	Vesting date/period
22-May-2020	AGTech Holdings Limited (8279)	93 grantees, including 7 connected persons	0.45	For connected persons: 25% of award shares granted to will be vested on 1 April 2021, 1 April 2022, 1 April 2023 and 1 April 2024 For independent third parties: 21.4% on 1 April 2021, 28.6% during 12 December 2021 to 7 May 2022, 25% during 12 December 2022 to 7 May 2023 and 25% during 12 December 2023 to 7 May 2024
20-May-2020	EEKA Fashion Holdings Limited (3709)	Total number of grantees is not disclosed, including 1 connected person	5.98	Shall be vested in five equal tranches annually, with the first tranche vested immediately
15-May-2020	Tang Palace (China) Holdings Limited (1181)	1 grantee who is a connected person	0.29	Immediate
15-May-2020	Planetree International Development Limited (613)	1 grantee who is an independent third party	0.97	33.33% vested immediately 33.33% shall be vested on 14 May 2021 33.33% shall be vested on 14 May 2022
6-May-2020	IGG INC (799)	Total number of grantees is not disclosed, all are independent third parties	0.15	25% on 6 May 2021 25% on 6 May 2022 25% on 6 May 2023 25% on 6 May 2024

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement¹ (%)	Vesting date/period
4-May-2020	Razer Inc. (1337)	Total number of grantees is not disclosed, including at least 2 connected persons	0.31	25% will be vested on each of 1 July 2020, 1 April 2021, 1 April 2022 and 1 April 2023
29-Apr-2020	MMG Limited (1208)	1 grantee who is a connected person	0.15	In or around June 2023
28-Apr-2020	BOC Aviation Limited (2588)	Total number of grantees is not disclosed, some are connected persons	0.25	December 2022
24-Apr-2020	Hao Tian International Construction Investment Group Limited (1341)	Total number of grantees is not disclosed, including 4 connected persons	5.91	33.33% in the first calendar year after the grant date 33.33% in the second calendar year after the grant date 33.33% in the third calendar year after the grant date

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement ¹ (%)	Vesting date/period
23-Apr-2020	Bosideng International Holdings Limited (3998)	7 grantees, including 2 connected persons	0.81	30% commencing from the first trading day after the 15-month period from the date of grant and ending on the last trading date of the 51-month period from the date of grant 30% commencing from the first trading day after the 27-month period from the date of grant and ending on the last trading day of the 51-month period from the date of grant 40% commencing from the first trading day after the 39-month period from the date of grant and ending on the last trading day of the 51-month period from the date of grant
22-Apr-2020	Shangri-La Asia Limited (69)	20 grantees, all are independent third parties	0.01	1 October 2020 to 1 April 2022
14-Apr-2020	KWG Group Holdings Limited (1813)	36 grantees, including 8 connected persons	0.06	33.33% on first anniversary of the date of grant (14 April 2021) 33.33% on second anniversary of the date of grant (14 April 2022) 33.33% on third anniversary of the date of grant (14 April 2023)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantees(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement¹ (%)	Vesting date/period
2-Apr-2020	Redsun Properties Group Limited (1996)	Total number of grantees is not disclosed, including 3 connected persons	0.39	Not disclosed
1-Apr-2020	Xiaomi Corporation (1810)	1,849 grantees, all are independent third parties	0.15	10 October 2020 to 1 April 2024
1-Apr-2020	Razer Inc. (1337)	Total number of grantees is not disclosed, including 7 connected persons	1.05	25% on 25 March 2020 25% on 1 January 2021 25% on 1 January 2022 25% on 1 January 2023
1-Apr-2020	Fosun International Limited (656)	83 grantees, including 12 connected grantees	0.09	33% on 1 April 2021 33% on 1 April 2022 34% on 1 April 2023
30-Mar-2020	CIFI Holdings (Group) Co. Ltd. (884)	1 grantee who is a connected person	0.06	On or after 31 March 2020
27-Mar-2020	WuXi Biologics (Cayman) Inc. (2269)	389 grantees, including 6 connected persons	0.18	Not disclosed
27-Mar-2020	China Modern Dairy Holdings Limited (1117)	56 grantees, including 2 connected persons	0.31	Not disclosed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement ¹ (%)	Vesting date/period
24-Mar-2020	First Pacific Company Limited (142)	1 grantee who is a connected person	0.02	Not disclosed
20-Mar-2020	SITC International Holdings Company Limited (1308)	604 grantees, including 9 connected persons	0.25	Third anniversary of the date of grant or an earlier date as approved by the board of directors of SITC International Holdings Company Limited
16-Mar-2020	Chong Hing Bank Limited (1111)	54 grantees, including 3 connected persons	0.16	25% in the first calendar year after the grant date 25% in the second calendar year after the grant date 25% in the third calendar year after the grant date 25% in the fourth calendar year after the grant date
3-Mar-2020	Pacific Basin Shipping Limited (2343)	Total number of grantees is not disclosed, all are independent third parties	0.49	Not disclosed

In respect of the Comparable Grants:

Minimum	0.01
Maximum	5.98
Average	0.80

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Number of grantee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement ¹ (%)	Vesting date/period
----------------------	---------------------------	----------------------	---	---------------------

In respect of the Comparable Connected and Independent Grants:

Minimum	0.06
Maximum	5.98
Average	1.10

29-May-20	The Company	84 grantees, including 2 connected persons	5.51	Various dates²
------------------	--------------------	---	-------------	----------------------------------

Notes:

1. The percentage of total number of award shares to total number of shares in issue on the date of announcement of the Comparable Grants is extracted from the relevant announcement, where such information is not available from the relevant announcement, the percentage is calculated by dividing the number of award shares granted by the total issued share capital as extracted from the monthly return of equity issuer on movement in securities prior to the publication of the relevant announcement.
2. Vesting Date of the Compensatory Shares varies for different Compensatory Grantees. Further details please refer to subsection headed "Terms of the Compensatory Grant" in the Board Letter.

We consider that the amount of 25 Comparable Grants over the Review Period of three months demonstrates that the alignment of interests of selected employees by way of grant and ownership of award shares is not uncommon and is in line with the market practice.

We note that the percentage of total number of award shares to total number of shares in issue on the date of announcement of the Comparable Grants range from a low of approximately 0.01% to a high of approximately 5.98%, with the average thereof being approximately 0.80%. While the percentage of total number of award shares to total number of shares in issue on the date of announcement of the Comparable Connected and Independent Grants range from a low of approximately 0.06% to a high of also approximately 5.98%, with the average thereof being approximately 1.10%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Compensatory Shares represent approximately 5.51% of the issued share capital of the Company as at the date of the adoption of the Scheme, although considerably above the average and is close to the maximum of both the Comparable Grants and the Comparable Connected and Independent Grants, still falls within the range as represented by the Comparable Grants and the Comparable Connected and Independent Grants.

Moreover, the vesting period of the Comparable Grants range from immediate vesting up to approximately 4.25 years. With reference to the Board Letter, Compensatory Shares granted to the Independent Grantees shall expire on various dates, no later than 17 June 2029 and shall be vested on various dates, some of which are linked to R&D Targets Fulfillment. Compensatory Shares granted to Ms. Yeh-Huang, Chun-Ying shall expire on 13 December 2027 and shall be vested in three tranches with the Vesting Date on the date of the Compensatory Grant (i.e. 29 May 2020), 14 December 2020 and 14 December 2021, which falls within the range as represented by the Comparable Grants. However, unlike Compensatory Shares granted to Ms. Yeh-Huang, Chun-Ying, Vesting Date of certain Compensatory Shares granted to Dr. Liu, Jun and the Independent Grantees depends on the R&D Targets Fulfillment.

The vesting period of the Compensatory Shares are relatively long as compared to those of the Comparable Grants, and a long vesting period should be positively correlated with the continuing commitment and long term contribution of the Compensatory Grantees towards the development of the Company, and hence better serve the purpose of retaining and incentivizing the Compensatory Grantees. In particular, the linkage between the Vesting Date of Dr. Liu, Jun's and the Independent Grantees' Compensatory Shares and the R&D Targets Fulfilment shall motivate them to achieve the performance targets relating to the research and development progress of certain drug candidates of the Group, and the success of the Group is highly dependent of the successful new drug development of the Group's research and development team led by Dr. Liu, Jun. Therefore, we consider the terms of the Connected Grant are fair and reasonable, and are in interest of the Group and the Shareholders as a whole.

3.3.2 Conditions precedent

The allotment and issue of the Compensatory Shares shall be subject to (i) the Independent Shareholders having approved at the Extraordinary General Meeting the Specific Mandate as well as the allotment and issue of the Directors' Compensatory Shares to Trustee A; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Compensatory Shares.

3.4 Information on the Compensatory Grantees

As disclosed on page V-36 of the Prospectus, there were 97 participants under the Pre-IPO Share Option Scheme. Over time, the Pre-IPO Share Options held by 13 of these participants had fully lapsed and been cancelled as at the date of the Compensatory Grant by reason of these participants' resignation from the Group or otherwise.

As such, the Compensatory Grantees comprise 84 Selected Participants, all of whom were holders of Pre-IPO Share Options outstanding as at the date of the Compensatory Grant, including 79 employees of and 5 consultants to the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, apart from Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, both of whom are executive Directors, (i) none of the Compensatory Grantees is a Director, chief executive or substantial shareholder of the Company or any of their respective associates; and (ii) all of the Compensatory Grantees are third parties independent of the Company and its connected persons.

3.4.1 Biographical information of the Connected Grantees

Ms. Yeh-Huang, Chun-Ying (黃純瑩女士)

Ms. Yeh-Huang, Chun-Ying joined the Group on 5 July 2010 and was appointed as an executive Director on 19 January 2016. She currently serves as an executive Director and the general manager of the Company. She is also a member of the strategy committee. Ms. Yeh-Huang oversees the Group's overall strategic direction and various aspects of the Company's operations and management, including human resources, business development, internal coordination and external communication with regulators and business partners.

From April 1986 to December 2015, Ms. Yeh-Huang worked at TTY Biopharm Company Limited ("**TTY Biopharm**"), the former controlling Shareholder of the Company, during which she became an executive vice president of the oncology science business development unit in April 2011. As the head of TTY Biopharm's oncology science business development unit, she was responsible for product development, clinical research, marketing and sales. She also managed cancer translation centers and medical academies and was responsible for the expansion of oncology science business market construction and team management in the PRC and Vietnam. She was a pharmacist of Taipei Veterans General Hospital from July 1983 to August 1985.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dr. Liu, Jun (劉軍博士)

Dr. Liu, Jun joined the Group on 17 October 2016 as a vice general manager and was appointed as an executive Director on 26 October 2018, chief scientific officer on 12 March 2019 and chief operating officer on 21 April 2020. He is also a member of the strategy committee. He is responsible for the new drug development and quality control system of biological drugs. Prior to joining the Group, Dr. Liu, Jun was the executive director of biologics research and development department in Shanghai ChemPartner Co., Ltd. between July 2010 and October 2016. Prior to that, he was employed by Bayer US LLC between April 2005 and July 2010 working with Bayer Healthcare as a senior scientist in the United States.

We are of the view that the Connected Grantees' extensive experience in the biopharmaceutical industry, as evidenced by their working profile, academic background and other experience discussed directly above, is contributory to the management, operation and development of the Group. In particular, Ms. Yeh-Huang, Chun-Ying joined the Group in 2010 shortly after the Company's incorporation in 2009, has participated and contributed in the business development of the Group over the past decade, is an iconic figure of the Group as perceived by the employees, senior management, regulators and business partners, and has over 30 years of experience in the pharmaceutical industry with expertise in integrating the industry value chain, building leadership and formulating branding strategies, while Dr. Liu, Jun, who has over 20 years of experience in the biotech industry, joined the Group in 2016 and assumed the roles of chief scientific officer and chief operating officer of the Group since March 2019 and April 2020 respectively and is the key person leading the Group's new drug development on which the Group's development and success heavily depend on. Their proven track records in management, drug discovery and development, clinical development, manufacturing, quality control and assurance and commercialization form the foundation of the Group's sustained growth.

3.5 Use of proceeds and financial impact of the Compensatory Shares

Assuming that all Compensatory Shares are vested, the Company will receive a total Grant Consideration of approximately US\$8,995,026.35 (equivalent to approximately HK\$69,711,454). The Company intends to apply such Grant Consideration (after deducting relevant fees and expenses) as the general working capital of the Group.

A detailed breakdown of the intended use of proceeds is not currently available because of the following reasons:

- (a) the total Grant Consideration will not be received as a lump sum, but will instead be received in batches as and when each Compensatory Grantee pays the Grant Consideration in respect of part or all of his/her Compensatory Shares in order to have such Shares vested, the timing of which payment is out of the Company's control;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) as explained in the section headed “Terms of the Compensatory Grant” above, the Vesting Dates in respect of some of the Compensatory Shares are linked to R&D Targets Fulfillment, which had not occurred as at the Latest Practicable Date; and
- (c) since some of the Compensatory Shares may later become Unvested Shares by reason of the relevant Compensatory Grantees’ resignation from the Group, their inability or unwillingness to pay the Grant Consideration or otherwise, the Company eventually may not receive the full amount of US\$8,995,026.35 stated above.

As explained in the subparagraphs headed “Background of and Reason for the Compensatory Grant” and “Basis of Determination of the Number of Compensatory Shares and the Grant Consideration per Award Share” in the Board Letter, the purpose of the Compensatory Grant is purely to reverse the dilutive effect of the Capitalization Issue on the Pre-IPO Share Options. It is expected that the Compensatory Grant will not result in any additional benefits and hence no additional share-based compensation expenses will be recorded in the Group’s consolidated financial statements.

As such, the Compensatory Shares will be allotted and issued to the Trustees at a subscription price of zero, and no cash flow will be involved at the time of the Compensatory Grant. Pursuant to the Scheme Rules, the Award Shares granted to a Compensatory Grantee shall vest in such Compensatory Grantee upon, among other things, the receipt of the full amount of the Grant Consideration by the Company in respect of such Award Shares.

3.6 Conclusion on the Connected Grant

Taking into account (i) the purpose of the Compensatory Grant (including the Connected Grant) is solely to reverse the unintended dilutive effect of Capitalization Issue on the Pre-IPO Share Options and restore the intended effectiveness of the Pre-IPO Share Option Scheme in terms of incentivization and compensate the holders of Pre-IPO Share Options for the aforesaid dilutive effect as discussed in section 3.1 in this letter; (ii) the alignment of interests of selected employees by way of grant and ownership of award shares is not uncommon and is in line with the market practice as discussed in section 3.3.1 in this letter; (iii) the principal terms (in particular the Grant Consideration) of the Connected Grant are the same as the other Compensatory Grant to the Independent Grantees and are accordingly fair and reasonable and are likely to motivate the Connected Grantees as discussed in section 3.2 in this letter; (iv) the extensive experience of the Connected Grantees as evidenced by their biographical information discussed in section 3.4.1 in this letter; and (v) the Connected Grant will not result in any financial impact on the Group as discussed in section 3.5 in this letter, we are of the view that the Connected Grant is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) the Connected Grant is, although not in the ordinary and usual course of business of the Group, on normal commercial terms; and (ii) the terms of the Connected Grant 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(s) to approve the Connected Grant contemplated thereunder 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 Capital Limited'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 exercise of voting rights by Centerlab as a Shareholder at the Extraordinary General Meeting (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 570,000,000 Shares, all of which were fully paid. Immediately after the full allotment and issue of the Compensatory Shares, and assuming that no other Shares are issued or bought back in the interim, the issued share capital of the Company will comprise 601,413,796 Shares.

As at the Latest Practicable Date, 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 12,304,000 Shares.

The Shares are listed and traded, and the Compensatory 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 2019, 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:

Interests in shares or underlying shares of the Company

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)	1.25%
	Interest through equity derivatives ⁽³⁾⁽⁴⁾	1,162,500 (L)	0.20%
Dr. Liu, Jun	Interest through equity derivatives ⁽³⁾⁽⁴⁾	1,100,000 (L)	0.19%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The calculation is based on the total number of 570,000,000 Shares in issue as at the 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 do not include the Award Shares granted to Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun pursuant to the Compensatory Grant as detailed in the section headed "Letter from the Board" of this circular.

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:

Interests in shares or underlying shares of the Company

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)	31.50%
Mr. Pang Kee Chan Hebert ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital Partners II Limited ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital II L.P. ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital II Master Investment Limited ⁽³⁾	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital Investment V Limited ⁽³⁾	Beneficial owner	49,136,800 (L)	8.62%
Chengwei Evergreen Management, LLC ⁽⁴⁾	Interest in controlled corporation	56,573,500 (L)	9.93%
Chengwei Evergreen Capital, L.P. ⁽⁴⁾	Interest in controlled corporation	56,573,500 (L)	9.93%
Prime Success International Limited ⁽⁴⁾	Beneficial owner	56,573,500 (L)	9.93%
Vivo Capital LLC ⁽⁵⁾	Interest in controlled corporation	103,245,000 (L)	18.11%

Name of Shareholder	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Vivo Capital VIII, LLC ⁽⁵⁾	Interest in controlled corporation	103,245,000 (L)	18.11%
Vivo Capital Fund VIII, L.P. ⁽⁵⁾	Beneficial owner	90,718,100 (L)	15.92%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The calculation is based on the total number of 570,000,000 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 Capital are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo Capital 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 Capital 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.

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 report, 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' Residential Addresses

The residential addresses of the Directors are set out in the section headed "Directors and Parties Involved in the Global Offering" on pages 116 to 117 of the Prospectus.

Directors' Biographical Information

The biographical information of the Directors are set out in the section headed "Biographies of directors and senior management" on pages 27 to 30 of the 2019 Annual Report.

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 2019, 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. MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2019, revenue from the five largest customers of the Group accounted for 98% of its total revenues and the largest customer of the Group accounted for 66% of its total revenues.

At no time during the year ended 31 December 2019 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five customers other than Lumosa Therapeutics. During the year ended 31 December 2019, Lumosa Therapeutics was an associate of Centerlab.

Major Suppliers

For the year ended 31 December 2019, purchase amount from the five largest suppliers of the Group accounted for 16% of its total purchase costs and the largest supplier of the Group accounted for 5% of its total purchase costs.

At no time during the year ended 31 December 2019 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five suppliers.

8. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by any member of the Group and are or may be material:

- (a) the shareholders' agreement dated 6 July 2018 and supplemented in September 2018 entered into between, among others, the Company and Centerlab;
- (b) the subscription agreement dated 6 July 2018 and supplemented in September 2018 entered into between, among others, the Company and Centerlab in respect of the issuance and subscription of the Class B preferred shares of the Company;
- (c) the cornerstone investment agreement dated 25 October 2019 entered into between, among others, the Company and Centerlab in connection with the Global Offering for an investment amount of US\$5 million;
- (d) the cornerstone investment agreement dated 25 October 2019 entered into between, among others, the Company, Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. in connection with the Global Offering for an investment amount of US\$10 million;
- (e) the cornerstone investment agreement dated 25 October 2019 entered into between, among others, the Company and Nien Hsing International (BVI) Ltd. in connection with the Global Offering for an investment amount of US\$5 million;
- (f) the Hong Kong underwriting agreement dated 28 October 2019 entered into between, among others, ICBC International Capital Limited and the Company in connection with the Hong Kong public offering of 9,000,000 Shares under the Global Offering for an underwriting commission of 3.0%;

- (g) the international purchase agreement dated 1 November 2019 entered into between, among others, ICBC International Capital Limited and the Company in connection with the international offering of 81,000,000 Shares under the Global Offering for an underwriting commission of 3.0%; and
- (h) the Trust Deeds.

Details of the above contracts numbered (a) to (g) are set out in the sections headed “History and Development”, “Cornerstone Investors” and “Underwriting” of the Prospectus.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against the Group.

10. MATERIAL ADVERSE CHANGE

Reference is made to the section headed “Chairman’s statement — Outlook” in the 2019 Annual Report.

As at the Latest Practicable Date, there had been no material adverse change since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, in (i) the financial or trading position or outlook of the Group; (ii) the general trend of the business of the Group; and (iii) the expected financial and trading prospects of the Group for the year ending 31 December 2020.

11. STATEMENT OF INDEBTEDNESS

As at 30 June 2020, being the latest practicable date prior to the printing of this circular for the purpose of this statement of indebtedness, the Group had (i) lease liabilities (comprising both current and non-current liabilities) amounting to approximately RMB7.8 million; and (ii) unutilized banking facilities amounting to approximately RMB250 million.

Save as the aforesaid, as at 30 June 2020, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

12. 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 the Company nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company; and
- (c) did not have any direct or indirect interest in any assets which had, since 31 December 2019, 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.

13. MISCELLANEOUS INFORMATION

Set out below is certain miscellaneous information in relation to the Company:

- (a) the Company's joint company secretaries are (i) Mr. Yao, Jau-Chang; and (ii) Mr. Lui, Wing Yat Christopher (Associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute in the United Kingdom);
- (b) the Company's authorized representatives are (i) Ms. Yeh-Huang, Chun-Ying; and (ii) Mr. Lui, Wing Yat Christopher;
- (c) the Company's registered office is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong;
- (d) the Company's headquarters and principal place of business in the PRC are situated at 120 Changyang Street, Suzhou Industrial Park, Suzhou, PRC;
- (e) the Company's share registrar is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong;

- (f) the Company's auditor is PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor) at 22/F, Prince's Building, Central, Hong Kong;
- (g) the Company's legal adviser is Sullivan & Cromwell (Hong Kong) LLP at 28/F, Nine Queen's Road Central, Hong Kong;
- (h) the Company's principal banks are (i) Shanghai Pudong Development Bank (Industrial Park of Suzhou Branch) at No. 163 Xinghai Street, Suzhou, PRC; and (ii) Bank of China (Suzhou Industrial Park Branch) at No. 8 Suzhou Avenue West, Suzhou, PRC; and
- (i) the Company's trustees under the Restricted Share Award Scheme are (i) Teeroy Limited; and (ii) Tricor Trust (Hong Kong) Limited, both at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any business day at the registered office of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (a) the Articles of Association, which is also accessible at <http://www.hkexnews.hk/listedco/listconews/sehk/2019/1107/2019110700071.pdf> (English) or http://www.hkexnews.hk/listedco/listconews/sehk/2019/1107/2019110700072_c.pdf (Chinese);
- (b) the Prospectus, which is also accessible at <http://www.hkexnews.hk/listedco/listconews/sehk/2019/1029/2019102900009.pdf> (English) or http://www.hkexnews.hk/listedco/listconews/sehk/2019/1029/2019102900010_c.pdf (Chinese);
- (c) the 2019 Annual Report, which is also accessible at <http://www.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900127.pdf> (English) or http://www.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900128_c.pdf (Chinese);
- (d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (e) the letter of advice from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

- (f) 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 the section headed “Letter from the Independent Financial Adviser” of this circular;
- (g) the material contracts referred to in the paragraph headed “8. Material Contracts” in this appendix;
- (h) the written consent referred to in the paragraph headed “12. Expert and Consent” in this appendix;
- (i) the Scheme Rules; and
- (j) this circular.

15. 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, 21 August 2020 at 4:00 p.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 resolutions as ordinary resolutions with or without amendments:

ORDINARY RESOLUTIONS

1. “**THAT**, in connection with the Restricted Share Award Scheme (as defined and described in the circular of the Company dated 3 August 2020 (the “**Circular**”)) (the “**Scheme**”), conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having granted the approval for the listing of, and permission to deal in, the ordinary shares of the Company to be allotted and issued (each, a “**Share**”), the board of directors of the Company (the “**Board**”) be and is hereby granted:
 - A. a specific mandate to exercise the powers of the Company to allot and issue 5,638,992 Shares to Teeroy Limited on such terms and for such purposes as described in the Circular, where such specific mandate is in addition to, and shall not prejudice nor revoke, the specific mandate set out in the ordinary resolution numbered 1B below or any other general and/or other specific mandate(s) which has/have been granted prior to the passing of this resolution or may from time to time be granted to the Board; and
 - B. a specific mandate to exercise the powers of the Company to allot and issue 25,774,804 Shares to Tricor Trust (Hong Kong) Limited on such terms and for such purposes as described in the Circular, where such specific mandate is in addition to, and shall not prejudice nor revoke, the specific mandate set out in the ordinary resolution numbered 1A above or any other general and/or other specific mandate(s) which has/have been granted prior to the passing of this resolution or may from time to time be granted to the Board,

and the Board or a committee or sub-committee thereof be and is hereby authorized to do all such acts and things, to sign and execute all such documents, agreements or deeds on behalf of the Company and to do all such other things and to take all such actions as it considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or implementing or in connection with such allotment and issue.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT**, conditional upon the ordinary resolution numbered 1A above having been passed, the allotment and issue of 5,638,992 Shares to Teeroy Limited as a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited be and is hereby approved, and the Board or a committee or sub-committee thereof be and is hereby authorized to do all such acts and things, to sign and execute all such documents, agreements or deeds on behalf of the Company and to do all such other things and to take all such actions as it considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or implementing or in connection with such allotment and issue.”

By order of the Board
TOT BIOPHARM International Company Limited
Yeh-Huang, Chun-Ying
Executive Director

Hong Kong, 3 August 2020

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 of the Company (the “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. Each registered Shareholder’s personalized login and access code will be sent to him or her under separate copy around one week before the EGM.

Non-registered Shareholders 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 not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 4:00 p.m. on Wednesday, 19 August 2020) 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.
5. The register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020 (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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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, 17 August 2020 for registration of transfer.

6. All the resolutions 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 resolutions, instead of attending the meeting in person. The Directors may attend the meeting remotely through video or telephone conference facilities.
9. In accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) made by the Chief Executive in Council of Hong Kong on 29 March 2020 and amended from time to time, as well as the Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation issued by the Securities and Futures Commission of Hong Kong and the Stock Exchange on 1 April 2020, 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 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.