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东曜药业

TOT BIOPHARM International Company Limited

東曜藥業股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1875)

(1) GRANT OF AWARD SHARES UNDER RESTRICTED SHARE AWARD SCHEME (2) ISSUE OF NEW SHARES UNDER GENERAL MANDATE (3) AMENDMENT TO SCHEME RULES

INTRODUCTION

Reference is made to pages 2 to 6 of the Company's announcement dated 29 May 2020 and pages 8 to 14 of the Company's circular dated 3 August 2020 in relation to, among other things, the adoption of, and subsequent amendment to, the Restricted Share Award Scheme.

The Board is pleased to announce that it has resolved to make the 2021 Year-end Grant under the Restricted Share Award Scheme to 28 grantees involving a total of 13,700,000 Award Shares, which will be allotted and issued under general mandate. The Board has also resolved to amend the Scheme Rules in relation to the treatment of Award Shares that have failed to vest or have lapsed, which amendment would not affect adversely any subsisting rights of any Selected Participant.

THE 2021 YEAR-END GRANT

Date of the 2021 Year-end Grant

23 December 2021

Reason for the 2021 Year-end Grant

The primary purpose of the Restricted Share Award Scheme is 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. In line with this purpose, the Board resolved to make the 2021 Year-end Grant.

Grantees under the 2021 Year-end Grant

The 28 grantees under the 2021 Year-end Grant are current non-Director employees of the Group, none of whom is a connected person of the Company.

Terms of the 2021 Year-end Grant

The principal terms of the 2021 Year-end Grant are set out as follows:

Allottee	Number of grantees	Total number of Award Shares	Grant Consideration (per Award Share) ⁽¹⁾	Vesting Date ⁽²⁾	Expiry Date ⁽³⁾
Trustee B	10	4,700,000	HK\$0.6	30%: The later of 31 March 2022 and the date of Pre-IPO R&D Targets Fulfillment 35%: The later of 31 March 2023 and the date of Pre-IPO R&D Targets Fulfillment 35%: The later of 31 March 2024 and the date of Pre-IPO R&D Targets Fulfillment	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
Trustee B	16	7,400,000	HK\$0.6	15%: The later of 31 March 2022 and the date of 2021 Year-end Business and R&D Targets Fulfillment 20%: The later of 31 March 2023 and the date of 2021 Year-end Business and R&D Targets Fulfillment 30%: The later of 31 March 2024 and the date of 2021 Year-end Business and R&D Targets Fulfillment 35%: The later of 31 March 2025 and the date of 2021 Year-end Business and R&D Targets Fulfillment	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
Trustee B	2	1,600,000	HK\$0.6	7.5%: The later of 31 March 2022 and the date of 2021 Year-end Business and R&D Targets Fulfillment 20%: The later of 31 March 2023 and the date of 2021 Year-end Business and R&D Targets Fulfillment 25%: The later of 31 March 2024 and the date of 2021 Year-end Business and R&D Targets Fulfillment 32.5%: The later of 31 March 2025 and the date of 2021 Year-end Business and R&D Targets Fulfillment 15%: The later of 31 March 2026 and the date of 2021 Year-end Business and R&D Targets Fulfillment	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
Total	28	13,700,000			

Notes:

- (1) Pursuant to the Scheme Rules, the Grant Consideration is to be paid by a Selected Participant to the Company before the vesting of his/her Award Shares, but not when the Award Shares are allotted and issued to the relevant Trustee. As such, the allotment and issue of the 13,700,000 Award Shares in connection with the 2021 Year-end Grant is a non-cash issuance.
- (2) As at the date of this announcement, neither Pre-IPO R&D Targets Fulfillment nor 2021 Year-end Business and R&D Targets Fulfillment has occurred.
- (3) Pursuant to the Scheme Rules, the Restricted Share Award Scheme shall remain valid and effective for a period of ten years from the date of its adoption (being 29 May 2020), unless terminated on an earlier date or extended by a resolution of the Board.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Pursuant to the Scheme Rules, (i) 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 (ii) the maximum number of Shares which may be allotted and issued to the Trustees under the Restricted Share Award Scheme during each of the financial years from 2021 onwards and until the termination of the Restricted Share Award Scheme may not exceed 14,250,000 Shares (being 2.5% of the Company's issued share capital as at the date of the adoption of the Restricted Share Award Scheme).

At the Company's annual general meeting held on 25 June 2021, the Directors were granted a general mandate to exercise the power of the Company to allot and issue a maximum of 120,305,899 new Shares (being 20% of the Company's issued share capital as at the date of such annual general meeting). Such general mandate has not been utilized as at the date of this announcement since it was granted. As neither any of the 28 grantees under the 2021 Year-end Grant nor Trustee B is a connected person of the Company, the 13,700,000 Award Shares in connection with the 2021 Year-end Grant will be allotted and issued under such general mandate as a non-cash issuance, and hence no separate approval from the Shareholders is required.

The 13,700,000 Award Shares in connection with the 2021 Year-end Grant represent (i) approximately 2.28% of the Company's issued share capital as at the date of this announcement; or (ii) approximately 2.23% of the Company's issued share capital as enlarged by the allotment and issue of such Award Shares. An application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, such Award Shares, which are expected to be allotted and issued by the end of 2021 after such approval is obtained from the Stock Exchange.

AMENDMENT TO THE SCHEME RULES

The Amendment

On 23 December 2021, the Board resolved to amend the Scheme Rules. For illustration purposes, after such amendment, the paragraph headed "2. Principal Terms of the Scheme – Unvested Shares" in the section headed "Letter from the Board" on page 13 of the August 2020 Circular shall be read as follows:

“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, after taking into account the recommendations of the Administration Committee, (1) (for Trustee B only) hold such Unvested Shares for the benefit of one or more Selected Participants in connection with one or more Grants made or to be made; or (2) (for both Trustee A and Trustee B) sell such Unvested Shares on the Stock Exchange at the then prevailing market price by way of market order. The proceeds of such sale in the case of (2) above 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.”

Save for the aforesaid amendment, all other principal provisions of the Scheme Rules remain unchanged.

Reasons for the Amendment

The purposes of the aforesaid amendment are (i) to enhance the efficiency of the Restricted Share Award Scheme and bring it in line with market practice, whereby Trustee B may hold any Award Shares that have failed to vest or have lapsed in respect of a Selected Participant (for example, when such Selected Participant departs from the Group) for the benefit of other Selected Participants, instead of having to sell such Award Shares on the Stock Exchange, thereby allowing such Award Shares to be reallocated and not be wasted; and (ii) to ease, at times when the trading volume of Shares is low, the difficulty of Trustee B selling Shares on the Stock Exchange and the ensuing potential adverse impact on the market price of Shares.

As the aforesaid amendment only pertains to Trustee B which only holds the trust funds on behalf of Selected Participants that are not connected persons of the Company, such amendment would not have any implication on the Company’s compliance with Chapter 14A of the Listing Rules.

As the aforesaid amendment only affects the treatment of Award Shares that have failed to vest or have lapsed (that is, when the Selected Participant(s) concerned would no longer have any right or interest in the relevant Award Shares), such amendment would not affect adversely any subsisting rights of any Selected Participant.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings, and other capitalized terms not defined below shall have the same meanings as those defined in pages 1 to 6 of the August 2020 Circular:

“2021 Year-end Grant”	the grant of 13,700,000 Award Shares to 28 grantees on 23 December 2021 as further described in the section headed “The 2021 Year-end Grant” of this announcement
“2021 Year-end Business and R&D Targets Fulfillment”	the fulfillment of performance targets relating to the CDMO/CMO business of the Group and the research and development progress of a drug candidate of the Group
“August 2020 Circular”	the Company’s circular dated 3 August 2020 in relation to, among other things, the adoption of, and subsequent amendment to, the Restricted Share Award Scheme
“Award Share(s)”	the Share(s) granted under the Restricted Share Award Scheme and allotted and issued (or to be allotted and issued) to the Trustees
“Board”	the board of Directors of the Company
“Company”	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose shares are listed on the Stock Exchange (stock code: 1875)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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
“Pre-IPO R&D Targets Fulfillment”	has the meaning ascribed to the term “R&D Targets Fulfillment” in the August 2020 Circular, which refers to the fulfillment of performance targets mainly relating to the research and development progress of certain drug candidates of the Group

“Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020 and 23 December 2021
“Scheme Rules”	the rules of the Restricted Share Award Scheme, as restated, supplemented and amended from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 23 December 2021

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