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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) CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE TO**

#### **TRUSTEE HOLDING SHARES ON TRUST FOR CONNECTED PERSONS**

#### **(3) ISSUE OF NEW SHARES UNDER GENERAL MANDATE TO TRUSTEE HOLDING SHARES ON TRUST**

#### **FOR NON-CONNECTED PERSONS**

#### **(4) HOUSEKEEPING AMENDMENTS TO SCHEME RULES**

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



## **INTRODUCTION**

Reference is made to (i) pages 2 to 6 of the Company's announcement dated 29 May 2020; (ii) pages 8 to 14 of the Company's circular dated 3 August 2020; and (iii) pages 3 to 4 of the Company's announcement dated 23 December 2021, in relation to, among other things, the adoption of, and subsequent amendments to, the Restricted Share Award Scheme.

Pursuant to the Scheme Rules, 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 is 14,250,000 Shares. Also, as at the date of this announcement, the remaining number of Shares capable of being allotted and issued to the Trustees under the Restricted Share Award Scheme is 12,833,303 Shares.

The Board is pleased to announce that it has resolved to make the 2022 Year-end Grant under the Restricted Share Award Scheme to 8 grantees involving a total of 7,558,390 Award Shares, including:

- (a) the Connected Grant, namely the grant to Dr. Liu, Jun, an executive Director, of 2,958,390 Award Shares, which will be allotted and issued to Trustee A under a specific mandate to be sought from the Independent Shareholders; and
- (b) the Non-connected Grant, namely the grant to 7 current non-Director employees of the Group of 4,600,000 Award Shares in total, which will be allotted and issued to Trustee B under the general mandate obtained at the 2022 Annual General Meeting.

## **THE 2022 YEAR-END GRANT**

### **Date of the 2022 Year-end Grant**

1 November 2022

### **Reason for the 2022 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 2022 Year-end Grant.

### **Grantees under the 2022 Year-end Grant**

The 8 grantees under the 2022 Year-end Grant include (i) Dr. Liu, Jun, an executive Director; and (ii) 7 current non-Director employees of the Group, none of whom is a connected person of the Company.

## Terms of the 2022 Year-end Grant

The principal terms of the 2022 Year-end Grant are set out as follows:

Allottee	Grantee(s)	Number of Award Shares	Grant Consideration (per Award Share) <sup>(1)</sup>	Vesting Date	Expiry Date <sup>(2)</sup>	Subject to Independent Shareholders' approval?
<i>The Connected Grant:</i>						
Trustee A	Dr. Liu, Jun, an executive Director	2,958,390	HK\$0.6	35%: The later of 31 March 2023 and the date of Pre-IPO R&D Targets Fulfillment <sup>(3)</sup>  40%: The later of 31 March 2024 and the date of Pre-IPO R&D Targets Fulfillment <sup>(3)</sup>  25%: The later of 31 March 2025 and the date of Pre-IPO R&D Targets Fulfillment <sup>(3)</sup>	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)	Yes, as the allotment and issue of the Award Shares is a connected transaction
<i>The Non-connected Grant:</i>						
Trustee B	7 current non-Director employees of the Group	4,600,000 in total	HK\$0.6	20%: The later of 31 March 2023 and the date of 2022 Year-end Business Target Fulfillment <sup>(4)</sup>  20%: The later of 31 March 2024 and the date of 2022 Year-end Business Target Fulfillment <sup>(4)</sup>  30%: The later of 31 March 2025 and the date of 2022 Year-end Business Target Fulfillment <sup>(4)</sup>  30%: The later of 31 March 2026 and the date of 2022 Year-end Business Target Fulfillment <sup>(4)</sup>	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)	No, as the Award Shares are to be allotted and issued under general mandate as a non-cash issuance

*Notes:*

- (1) Pursuant to the Scheme Rules, the Grant Consideration is to be paid by a Selected Participant to the Company as a condition to the vesting of his/her Award Shares on or after the relevant Vesting Date, but not when the Award Shares are allotted and issued to the relevant Trustee. As such, the allotment and issue of the 7,558,390 Award Shares in connection with the 2022 Year-end Grant is a non-cash issuance. As and when the Grant Consideration of the 2022 Year-end Grant is received, the Company intends to apply such Grant Consideration (after deducting relevant fees and expenses) as the general working capital of the Group.
- (2) 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.
- (3) On 1 March 2022, Pre-IPO R&D Targets Fulfillment occurred.
- (4) As at the date of this announcement, 2022 Year-end Business Target Fulfillment has not occurred.

### **THE CONNECTED GRANT: CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

The 2,958,390 Connected Grant Shares granted to Dr. Liu, Jun, an executive Director, 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 a trustee under the Restricted Share Award Scheme) is an associate of such connected persons and is hence a connected person of the Company.

### **Basis for the Determination of the Number of Award Shares, the Grant Consideration and the Vesting Dates of the Connected Grant**

The number of Connected Grant Shares granted to Dr. Liu, Jun was determined primarily with reference to (i) the intended effect of the Connected Grant in terms of talent retention and incentivization; and (ii) the maximum number of Award Shares capable of being granted to Dr. Liu, Jun (i.e. 2,958,391 Shares, being his personal limit of 5,700,000 Shares under the Restricted Share Award Scheme minus 2,741,609 Shares previously granted to him under the 2020 Compensatory Grant).

The Grant Consideration of the Connected Grant was determined primarily with reference to (i) the balance between (A) the intended effect of the Connected Grant in terms of talent retention and incentivization and (B) the expected profit and loss impact (i.e. share-based compensation expenses) of the Connected Grant on the Group; and (ii) the Grant Consideration of the Non-connected Grant and of the 2021 Year-end Grant, which is also HK\$0.6 per Award Share.

The Vesting Dates of the Connected Grant were determined primarily with reference to (i) the intended effect of the Connected Grant in terms of talent retention and incentivization; and (ii) the Vesting Dates in respect of 10 out of 28 grantees under the 2021 Year-end Grant (who, like Dr. Liu, Jun, are long-serving employees and had been with the Group for at least 5 years at the time of the grant), which are also linked to Pre-IPO R&D Targets Fulfillment.

Based on the above, the Directors (other than the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the terms and conditions of the Connected Grant are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **Specific Mandate**

Given the status of Trustee A as a connected person of the Company, the general mandate granted to the Directors at the 2022 Annual General Meeting cannot be used for the allotment and issue of the Connected Grant Shares.

Therefore, a specific mandate for the allotment and issue of the Connected Grant Shares will be sought by the Company from the Independent Shareholders by way of a Shareholders' resolution to be put forward at the Extraordinary General Meeting.

### **Connected Transaction**

Given the status of Trustee A as a connected person of the Company, the allotment and issue of the Connected Grant Shares to Trustee A constitutes a connected transaction of the Company, and is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. A Shareholders' resolution 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.

Dr. Liu, Jun, being the grantee under the Connected Grant, has a material interest in the Connected Grant and has therefore abstained from voting on the relevant Board resolutions.

An 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 Connected Grant Shares to Trustee A.

Grand Moore Capital Limited (中毅資本有限公司) 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 Connected Grant Shares to Trustee A.

## **Shareholders' Circular and Extraordinary General Meeting**

A circular containing, among other things, (i) further details of the Connected Grant and the allotment and issue of the Connected Grant Shares; (ii) a letter of advice from the independent Board committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the notice of the Extraordinary General Meeting, is expected to be dispatched to the Shareholders on or before 22 November 2022 (being 15 Hong Kong business days after the date of this announcement).

As far as the Company is aware having made all reasonable enquiry, as at the date of this announcement, Trustee A and Trustee B hold a total of 40,032,558 Shares, representing approximately 5.23% of the Company's issued share capital. Pursuant to the Scheme Rules, Trustee A and Trustee B shall not exercise any voting rights in respect of any Award Shares held by them as trustees, and there is no mechanism whereby the grantees may exercise, or may instruct the Trustees to exercise, any voting rights attached to any Award Shares held by the Trustees. Therefore, Trustee A and Trustee B will not exercise their voting rights in respect of Shares held by them at the Extraordinary General Meeting.

The 2,958,390 Connected Grant Shares represent (i) approximately 0.387% of the Company's issued share capital as at the date of this announcement; or (ii) approximately 0.383% of the Company's issued share capital as enlarged by the allotment and issue of the Connected Grant Shares and the Non-connected Grant Shares. After the relevant Shareholders' resolution(s) is/are passed at the Extraordinary General Meeting, 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, the Connected Grant Shares, which are expected to be allotted and issued by the end of 2022 after such approval is obtained from the Stock Exchange.

### **THE NON-CONNECTED GRANT: ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

At the 2022 Annual General Meeting, the Directors were granted a general mandate to exercise the power of the Company to allot and issue a maximum of 123,045,899 new Shares (being 20% of the Company's issued share capital as at the date of the 2022 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 7 grantees under the Non-connected Grant nor Trustee B is a connected person of the Company, the 4,600,000 Non-connected Grant Shares 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 4,600,000 Non-connected Grant Shares represent (i) approximately 0.601% of the Company's issued share capital as at the date of this announcement; or (ii) approximately 0.595% of the Company's issued share capital as enlarged by the allotment and issue of the Connected Grant Shares and the Non-connected Grant 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, the Non-connected Grant Shares, which are expected to be allotted and issued by the end of 2022 after such approval is obtained from the Stock Exchange.

## **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.

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 a trustee under the Restricted Share Award Scheme), the Trustees are third parties independent of the Company and its connected persons.

## **HOUSEKEEPING AMENDMENTS TO THE SCHEME RULES**

On 1 November 2022, the Board resolved to make the following housekeeping amendments to the Scheme Rules:

- (a) to specify the definition of 2022 Year-end Business Target Fulfillment for facilitating the implementation of the 2022 Year-end Grant; and
- (b) to specify, for the avoidance of doubt, that, pursuant to the transitional arrangements set out in the "*Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment*" published by the Stock Exchange on 29 July 2022, notwithstanding the amendments to Chapter 17 of the Listing Rules with effect from 1 January 2023, insofar as grants of Award Shares involving new Shares to be allotted and issued under general mandate are concerned, the Company may continue to make such grants up to the date of the second annual general meeting of the Company after 1 January 2023.

Save for the aforesaid housekeeping amendments, all other principal provisions of the Scheme Rules remain unchanged. The aforesaid housekeeping amendments 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:

“2020 Compensatory Grant”	the grant of a total of 31,413,796 Award Shares to 84 grantees on 29 May 2020 under the Restricted Share Award Scheme as described on pages 14 to 21 of the Company’s circular dated 3 August 2020
“2021 Year-end Grant”	the grant of a total of 13,700,000 Award Shares to 28 grantees on 23 December 2021 under the Restricted Share Award Scheme as described on pages 1 to 3 of the Company’s announcement dated 23 December 2021
“2022 Annual General Meeting”	the annual general meeting of the Company held on 28 June 2022
“2022 Year-end Business Target Fulfillment”	the fulfillment of a performance target relating to the CDMO/CMO business of the Group
“2022 Year-end Grant”	the grant of a total of 7,558,390 Award Shares to 8 grantees on 1 November 2022 under the Restricted Share Award Scheme as described in this announcement, which includes the Connected Grant and the Non-connected Grant
“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 Grant”	the grant of the Connected Grant Shares to Dr. Liu, Jun, an executive Director, pursuant to the 2022 Year-end Grant
“Connected Grant Shares”	2,958,390 Award Shares to be allotted and issued to Trustee A under a specific mandate to be sought from the Independent Shareholders
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Expiry Date”	the last date on which an Award Share may vest, immediately following which such Award Share shall lapse
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the allotment and issue of the Connected Grant Shares to Trustee A
“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 People’s Republic of China
“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	those Shareholders who do not have a material interest in the allotment and issue of the Connected Grant Shares to Trustee A and are hence not required to abstain from voting on the Shareholders’ resolution(s) at the Extraordinary General Meeting
“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
“Non-connected Grant”	the grant of the Non-connected Grant Shares to 7 current non-Director employees of the Group pursuant to the 2022 Year-end Grant
“Non-connected Grant Shares”	4,600,000 Award Shares to be allotted and issued to Trustee B under the general mandate obtained at the 2022 Annual General Meeting

“Pre-IPO R&D Targets Fulfillment”	has the meaning ascribed to the term “R&D Targets Fulfillment” in the Company’s circular dated 3 August 2020 or the term “Pre-IPO R&D Targets Fulfillment” in the Company’s announcement dated 23 December 2021, which refers to the fulfillment of performance targets mainly relating to the research and development progress of certain drug candidates of the Group, and which occurred on 1 March 2022
“Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020, 23 December 2021 and 1 November 2022
“Scheme Rules”	the rules of the Restricted Share Award Scheme, as restated, supplemented and amended from time to time
“Selected Participant(s)”	person(s) selected to receive a grant of Award Shares under the Restricted Share Award Scheme
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee(s)”	Trustee A and Trustee B, which are trustees under the Restricted Share Award Scheme, 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
“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

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

Hong Kong, 1 November 2022

*As at the date of this announcement, the executive Directors of the Company are Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying; the non-executive Directors of the Company are Mr. Fu, Shan and Mr. Qiu, Yu Min; and the independent non-executive Directors of the Company are Ms. Hu, Lan, Mr. Chang, Hong-Jen and Dr. Wang, De Qian.*