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CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

GRANT OF OPTIONS PURSUANT TO THE POST-IPO ESOP

This announcement is made pursuant to Rule 17.06A of the Listing Rules.

The Board announces that on August 30, 2022, the Company offered to grant 28,000,000 Options to our chief executive officer and executive Director, Dr. Jianxin Yang (“**Dr. Yang**”), in accordance with the terms of the Post-IPO ESOP, subject to acceptance.

Details of the Grant of Options

The details of the Options granted to Dr. Yang are as follows:

Grant Date:	August 30, 2022
Total number of new Shares to be subscribed upon exercise of the Options granted:	28,000,000
Consideration for the Grant of Options:	Nil to be paid by Dr. Yang upon acceptance of the Options granted
Subscription price of the Options granted:	HK\$4.660 per Share
Closing price of the Shares on the Grant Date:	HK\$4.660 per Share

Validity period of the Options: The validity period of the Options shall be subject to the grant letter to Dr. Yang, which in any event must not be more than ten years from the Grant Date and the Options shall lapse at the expiry of such validity period.

Vesting period of the Options: 14,000,000 Options granted to Dr. Yang shall vest as follows:

- 25% shall vest on the first anniversary of August 25, 2022 (rounding to the nearest whole Option);
- 25% shall vest on the second anniversary of August 25, 2022 (rounding to the nearest whole Option);
- 25% shall vest on the third anniversary of August 25, 2022 (rounding to the nearest whole Option); and
- 25% shall vest on the fourth anniversary of August 25, 2022 (rounding to the nearest whole Option).

The remaining 14,000,000 Options granted to Dr. Yang are divided into various batches of Options. Upon satisfaction of the performance target milestone specified for each batch of Options, the respective batch of Options shall vest as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option).

In any event, the Board has the discretion to accelerate the above vesting schedule of the Options.

The Options granted are subject to the individual performance result and other requirements as set out in the grant letter entered into between Dr. Yang and the Company.

Subscription Price of Options

The subscription price of the Options of HK\$4.660 per Share represents the higher of (i) the closing price of the Shares of HK\$4.660 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Grant Date; and (ii) the average closing price of the Shares of HK\$4.452 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Grant Date.

Grant of Options to Chief Executive Officer and Executive Director

Pursuant to Rule 17.04(1) of the Listing Rules, the granting of the Options to Dr. Yang has been approved by all the independent non-executive Directors of the Company. It has also been reviewed and approved by the compensation committee of the Company. The grant of Options to Dr. Yang forms part of the remuneration package under his service contract with the Company. The grant of Options has been approved by the Board (including but not limited to the independent non-executive Directors of the Company), save that Dr. Yang had abstained from voting on the resolution relating to the Options granted to himself and had not been counted towards the quorum of the Board meeting in respect of such resolution.

Save as disclosed above, no Options have been granted by the Company to any other grantee on the date of this announcement.

Pursuant to the note to Rule 17.03(4) of the Listing Rules, where any grant of share options to a grantee would result in the Shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares of the Company in issue, such grant must be separately approved by the Shareholders in general meeting with such grantee and his/her close associates (or associates if the grantee is a connected person) abstain from voting.

The proposed grant of Options to Dr. Yang represents approximately 2.36% of the total issued share capital of the Company as at the Grant Date. As the total number of Shares issued and to be issued upon exercise of the Options proposed to be granted to Dr. Yang would in a 12-month period exceed 1% of the Shares in issue, the grant of the Options to Dr. Yang is conditional upon the approval by the Shareholders at the General Meeting. Dr. Yang and his respective associates shall abstain from voting at the General Meeting for the purpose of approving the grant of Options to him.

The General Meeting will be convened and held for the Shareholders to, among other things, consider and, if thought fit, approve the grant of Options to Dr. Yang. A circular containing, among other things, information of the aforesaid grant, will be despatched to the Shareholders in due course.

Reasons for and Benefits of the Grant of Options

The purpose of the Grant of Options is to provide incentives to Dr. Yang as the chief executive officer and sole executive Director to further contribute to the long-term growth of the Group by leveraging on his industry expertise and extensive knowledge of the Company's portfolio drug candidates and to align his interests with the best interests of the Company and the Shareholders as a whole. In view of the above, the Board (including the independent non-executive Directors) considers that the proposed grant of Options to Dr. Yang is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

“Board”	the board of Directors
“Company”	CStone Pharmaceuticals 基石藥業, an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 2, 2015
“Directors”	the directors of the Company
“General Meeting”	the next general meeting to be convened by the Company
“Grant of Options”	the grant of an aggregate of 28,000,000 Options to Dr. Yang in accordance with the terms of the Post-IPO ESOP
“Grant Date”	August 30, 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Options”	28,000,000 options to subscribe for or acquire 28,000,000 Shares which were granted under the Post-IPO ESOP

“Post-IPO ESOP”	the post-IPO employee share option plan adopted by the Company on January 30, 2019, with effect on the listing date of the Company (i.e. February 26, 2019)
“Shareholder(s)”	holder(s) of shares in the Company
“Shares”	ordinary shares in the issued capital of the Company with a nominal value of US\$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules

By order of the Board
CStone Pharmaceuticals
Dr. Wei Li
Chairman

Suzhou, People’s Republic of China, August 30, 2022

As at the date of this announcement, the board of directors of the Company comprises Dr. Wei Li as Chairman and non-executive director, Dr. Jianxin Yang as executive director, Mr. Kenneth Walton Hitchner III, Mr. Yanling Cao, Mr. Xianghong Lin and Mr. Edward Hu as non-executive directors, and Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun as independent non-executive directors.