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CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2616)

**(I) PROPOSED CANCELLATION AND RE-GRANTS OF OPTIONS
TO EXISTING GRANTEES
UNDER THE POST-IPO ESOP; AND
(II) PROPOSED AMENDMENTS TO THE SHARE INCENTIVE SCHEMES**

**PROPOSED CANCELLATION AND RE-GRANTS OF OPTIONS TO EXISTING
GRANTEES UNDER THE POST-IPO ESOP**

Pursuant to Rule 17.06A of the Listing Rules, on January 6, 2023, the Board has resolved to cancel 21,262,427 Outstanding Share Options pursuant to the terms of the Post-IPO ESOP and to “re-grant” Existing Grantees an aggregate of 14,883,700 new Options which represent approximately 70% of the Cancelled Options held by such Existing Grantees, and represent approximately 1.24% of the total Shares of the Company in issue as at December 31, 2022.

Pursuant to Rule 17.03C(3) of the Listing Rules, the Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the Existing Scheme Limit provided the Options in excess of the Existing Scheme Limit are granted only to grantees specifically identified by the Company before such approval is sought. As there is only a balance of 10,693,496 Options available to be granted under the Existing Scheme Limit as at December 31, 2022, the proposed re-grant of an aggregate of 14,883,700 new Options excess the Existing Scheme Limit and the re-grant of 4,190,204 Options to the Existing Grantees, which represented approximately 0.35% of the total number of Shares in issue as at December 31, 2022, is subject to the approval by the Shareholders of the Company at the EGM.

Reference is made to the announcement of the Company dated August 30, 2022 in relation to the proposed grant of 28,000,000 Options to Dr. Yang. As the proposed grant of 28,000,000 Options and the proposed re-grant of 4,340,000 Options to Dr. Yang would result in the Shares issued and to be issued in respect of all Options and Awards granted to him (excluding any Options and Awards lapsed in accordance with the terms of the Share Incentive Schemes) in the 12-month period up to and include the Grant Date exceeded 1% of the total number of Shares in issue as at the Grant Date, such re-grant of Options to Dr. Yang, together with the 28,000,000 Options granted to him, shall be subject to the approval by the relevant Shareholders at the EGM pursuant to Rule 17.03D of the Listing Rules. Dr. Yang and his respective associate(s) shall abstain from voting on the resolution(s) to consider and if thought fit, approve, inter alia, such grant and re-grant of Options to himself at the EGM.

PROPOSED AMENDMENTS TO THE SHARE INCENTIVE SCHEMES

Pursuant to the Consultation Conclusions, Chapter 17 of the Listing Rules has been amended to govern both share option schemes and share award schemes involving the grant of new shares or options over new shares of the listed issuer with effect from January 1, 2023. Additionally, with the Proposed Re-grants to Existing Grantees, the Existing Scheme Limit for Post-IPO ESOP would be fully utilised, resulting in an expiry of the advanced mandate which will, in turn, trigger the requirement to amend the terms of the Share Incentive Schemes in accordance with the transitional arrangements promulgated by the Consultation Conclusions.

The Post-IPO RSU Scheme will constitute a share scheme involving the grant of new Shares for the purposes of the Listing Rules. Pursuant to the Listing Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, in observance of the applicable requirements under the Listing Rules, the Directors consider that it would be in the best interests of the Company and its Shareholders to amend each of the Share Incentive Schemes to comply with the Listing Rules, and to adopt the Scheme Mandate Limit and the Service Provider Sublimit.

In light of the Listing Rules, the Board is pleased to announce that it has resolved on January 6, 2023 to propose the Proposed Amendments to each of the Share Incentive Schemes, to bring each of them in line with the Listing Rules.

EGM

An EGM will be convened for the purposes of considering, and if thought fit, approve, inter alia, (i) the Proposed Re-grants of Options under the Post-IPO ESOP; (ii) the proposed grant of Options to Dr. Yang under the Post-IPO ESOP; (iii) the proposed amendments to the Post-IPO ESOP; (iv) the proposed amendments to the Post-IPO RSU scheme; (v) the proposed adoption of the Scheme Mandate Limit; and (vi) the proposed adoption of the Service Provider Sublimit. A circular containing, inter alia, further details of the aforesaid matters, together with a notice of the EGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

(I) PROPOSED CANCELLATION AND RE-GRANTS OF OPTIONS UNDER THE POST-IPO ESOP

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

References are made to the announcements of the Company dated April 1, 2019, October 13, 2019, December 9, 2019, April 1, 2020, July 13, 2020, April 1, 2021, July 2, 2021 and December 10, 2021, in relation to, among others, the grant of a total of 21,262,427 outstanding Options (excluding those Options that have been granted but lapsed) to the Existing Grantees with the original exercise price of the Outstanding Share Options (which ranges from HK\$8.850 per share to HK\$17.308 per Share (the “**Original Exercise Price**”)) in accordance with the Post-IPO ESOP, which entitle the Existing Grantees to subscribe for a total of 21,262,427 new Shares. As at December 31, 2022, none of the aforesaid Options have been exercised.

The purpose of the Post-IPO ESOP is to attract and retain employees of the Group and to reward eligible employees, the Directors and other Selected Participants for, inter alia, their past contribution to the Group. It is considered that the Post-IPO ESOP will provide incentives to the employees of the Group to further contribute to the Group and to align their interests with that of the Company and the Shareholders as a whole.

Given that the Original Exercise Price is much higher than the recent market price of the Shares, the Board and the Compensation Committee are of the view that the Outstanding Share Options could no longer achieve the purpose of providing the Existing Grantees with incentives and rewards for their contribution to the Group, nor are they conducive to motivating the Existing Grantees to retain within the Group and making lasting contribution to the development of the Group. Accordingly, on January 6, 2023, the Board has resolved to cancel the 21,262,427 Outstanding Share Options pursuant to terms of the Post-IPO ESOP and to “re-grant” Existing Grantees an aggregate of 14,883,700 new Options which represent approximately 70% of the Cancelled Options held by such Existing Grantees, subject to the acceptance by the Existing Grantees. As for the portion of Cancelled Options which have been vested but yet exercised, the Company shall “re-grant” such number of new Options which represent approximately 65% of the Cancelled Options held by him or her; and as for the portion of Cancelled Options which are yet vested, the Company shall “re-grant” such number of new Options which represent approximately 75% of the Cancelled Options held by him or her.

Pursuant to Rule 17.03C(3) of the Listing Rules, the Company may seek approval by the Shareholders in general meeting for granting Options beyond the Existing Scheme Limit provided the Options in excess of the Existing Scheme Limit are granted only to grantees specifically identified by the Company before such approval is sought. As there is only a balance of 10,693,496 Options available to be granted under the Existing Scheme Limit as at December 31, 2022, the proposed re-grant of an aggregate of 14,883,700 new Options excess the Existing Scheme Limit and the re-grant of 4,190,204 Options to the Existing Grantees, which represented approximately 0.35% of the total number of Shares in issue as at December 31, 2022, is subject to the approval by the Shareholders of the Company at the EGM.

Details of the Re-grants of Options to Existing Grantees

The details of the Options granted to the Existing Grantees are as follows:

Grant Date:	January 6, 2023
Number of Grantees	141 (being one Director, two members of senior management of the Group and 138 other employees of the Company)
Total number of new Shares to be subscribed upon exercise of the Options granted:	14,883,700 <i>Note</i>
Consideration for the Grant of Options:	Nil to be paid by the grantee upon acceptance of the Options granted
New Exercise Price:	HK\$4.900 per Share
Closing price of the Shares on the Grant Date:	HK\$4.900 per Share

Exercise period of the Options: The exercise period of the Options shall be subject to the relevant grant letter to the Grantee (and any vesting periods provided thereunder), 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 exercise period.

Vesting period of the Options: All Options to be granted to the Grantees shall vest as follows:

- 25% shall vest on the first anniversary of the Grant Date (rounding to the nearest whole Option); and
- 75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole Option) immediately following the first anniversary of the Grant Date.

In any event, the Board has the discretion to accelerate the above vesting schedule of the Options, subject to compliance of the requirements under Rule 17.03F of the Listing Rules as and when appropriate.

Performance target Not applicable, as there were no performance targets attached to the Outstanding Share Options.

The Compensation Committee is of the view that the re-grant of Options to Dr. Yang (a Director) and some other senior management members of the Group without performance targets is reasonable as there were no performance target attached to the Outstanding Share Options, consistent with the Company's customary practice and aligns with the purpose of the Post-IPO ESOP.

Clawback Mechanism

The re-grants of Options to the Existing Grantees (which included Dr. Yang (a Director) and some other senior management members of the Group) are subject to the clawback mechanism under the Post-IPO ESOP in the event that the Board determines a grantee ceasing to be an employee by the reason of acts including without limitation:

- (i) grave misconduct, willful default or willful neglect in the discharge of his or her duties with the Group;
- (ii) fraudulent activity whether or not in connection with the affairs of the Group;
- (iii) being convicted of any offence;
- (iv) being proved to take advantages of his/her position to make interest for him/herself or for others;
- (v) being proved to appropriate assets of the Group;
- (vi) serious violation or persistent breach of any terms of the employment agreement, the confidentiality and intellectual property rights assignment agreement, the non-compete and non-solicitation agreement, the anti-bribery agreement or any other agreements entered into by and between such grantee and any member of the Group;
- (vii) repeated drunkenness or use of illegal drugs or being addicted to gambling which adversely interferes with or is reasonably expected to adversely interfere with the performance of such grantee's obligations and duties of employment; and
- (viii) any other conduct which, as the Board determines in good faith, would justify the termination of his or her contract, then any Option (whether vested or unvested) held by such Existing Grantee(s) shall immediately lapse, unless the Board resolves otherwise in its absolute discretion.

Arrangement for the Group to provide financial assistance to a grantee to facilitate the purchase of Shares:

There are no arrangements for the Company or any of its subsidiaries to provide financial assistance to any Existing Grantee to facilitate the purchase of Shares under the Post-IPO ESOP.

Note: Details of the 14,883,700 re-granted Options are set out below:

Name/Type of Grantee	Position held in the Company	Number of Options cancelled	Number of Options re-granted^{Note}
Dr. Yang	Chief Executive Officer and sole executive Director	6,200,000	4,340,000
Senior management	Senior management members other than Directors or substantial Shareholders of the Company	5,023,749	3,516,625
Other Employees	Employees of the Company other than Directors, substantial Shareholders or senior management members of the Company	10,038,678	7,027,075

Note:

The proposed re-grants of the 7,027,075 Options to other employees and the 3,516,625 Options to the Existing Grantees who are senior management of the Group shall utilise the Existing Scheme Limit for Post-IPO ESOP, which, as at December 31, 2022, has 10,693,496 total number of shares available for issue and grant under the Post-IPO ESOP. Following the aforesaid application, the remaining 149,796 total number of shares available for issue and grant under the Post-IPO ESOP shall be utilized for the 149,796 Options out of the 4,340,000 Options proposed to be re-granted for Dr. Yang. Following the application of the remaining headroom available, there will be no shares available for issue and grant under the Existing Scheme Limit for Post-IPO ESOP and the remaining 4,190,204 Options proposed to be granted to Dr. Yang will take up the Scheme Mandate Limit.

The Options re-granted are subject to the acceptance by the Existing Grantees.

Exercise Price of the Options following Cancellation

The exercise price of the Options of HK\$4.900 per Share represents the higher of (i) the closing price of the Shares of HK\$4.900 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\$4.758 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Grant Date.

Reasons for and Benefits of the Re-grant of Options under the Post-IPO ESOP to Existing Grantees

The Board considers that the cancellation of Options and the proposed “re-grant” of new Options to the Existing Grantees through the aforesaid mechanism can incentivise such grantees to continue contributing to the Group. By offering such number of new Options which represent approximately 70% to the number of Cancelled Options held by an Existing Grantee, the Company can be in a position to offer the Existing Grantees comparable rewards, the fair market value of which shall correspond to the underlying value of the Outstanding Share Options with the Original Exercise Price, which was substantially higher than the New Exercise Price by approximately 80.61% (compared to the lowest range of the Original Exercise Price) and 253.22% (compared to the highest range of the Original Exercise Price). In addition, with the cancellation of the Outstanding Share Options (and the lapse of the respective vesting periods thereunder), the new Options could be re-granted with new vesting periods commencing from the Grant Date, which in turn serves to further motivate the Existing Grantees to stay with the Group for an extended period of time.

Prior to Dr. Yang's appointments as the sole executive Director and the Chief Executive Officer, he previously served as Senior Vice President and the Chief Medical Officer with the Group since December 2016. With Dr. Yang being one of the Existing Grantees, he was also granted the relevant number of Options such that he could be incentivised for his past performance as Senior Vice President and the Chief Medical Officer. Given that the Outstanding Share Options could no longer achieve the purpose of providing Existing Grantees (including Dr. Yang) with meaningful incentives and rewards for their contribution to the Group for the aforesaid reasons, the Directors considered that it is fair and reasonable to include Dr. Yang as one of the recipients for the Proposed Re-grants to Existing Grantees. Furthermore, in making the proposed re-grant of Options to Dr. Yang, the Board considered that the underlying value of the Shares at the time of initial grant will serve as motivation for Dr. Yang to promote the future development and success of the Company in order to increase the share price of the Company throughout the relevant vesting schedule. In determining the amount of Options to be granted to Dr. Yang, the Board took into consideration the number of Outstanding Share Options which was previously granted to Dr. Yang but subsequently cancelled.

In view of the above, the Board (including the independent non-executive Directors and excluding Dr. Yang) considers that terms to the Cancelled Options and the Proposed Re-grants to Existing Grantees are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As Dr. Yang was considered to have material interest in the Proposed Re-grants to Existing Grantees, he had abstained from voting on the relevant resolution(s) of the Board.

Pursuant to Rule 17.04(1) of the Listing Rules, the proposed re-grant of 4,340,000 Options to Dr. Yang has been approved by the Board (including all the independent non-executive Directors but excluding Dr. Yang, who had abstained from voting on the resolution(s) relating to the Options proposed to be re-granted to himself and had not been counted towards the quorum of the Board meeting in respect of such resolution). It has also been reviewed and approved by the Compensation Committee and all the independent non-executive Directors.

Save for the proposed re-grant of Options to Dr. Yang, there are no other grants made to a Director, substantial Shareholder or chief executive or their respective associates. In addition, save for the proposed re-grant of Options to Dr. Yang, all other Proposed Re-grants to Existing Grantees are to be made within the 1% individual limit for the past 12-month period up to and including the Grant Date.

IMPLICATIONS UNDER THE LISTING RULES

Proposed Re-grants to Existing Grantees beyond the Existing Scheme Limit

Pursuant to Rule 17.03C(3) of the Listing Rules, the Company may seek approval by the Shareholders in general meeting for granting Options beyond the Existing Scheme Limit provided the Options in excess of the Existing Scheme Limit are granted only to grantees specifically identified by the Company before such approval is sought.

As there was only a remaining balance of 10,693,496 Options available to be granted under the Existing Scheme Limit as at December 31, 2022, the proposed re-grant of an aggregate of 14,883,700 new Options excess the Existing Scheme Limit and the re-grant of 4,190,204 Options to the Existing Grantees is subject to the approval by the Shareholders of the Company at an EGM.

Specifically to Dr. Yang, an Existing Grantee

Reference is made to the announcement of the Company dated August 30, 2022 in relation to the proposed grant of 28,000,000 Options to Dr. Yang. As the proposed grant of 28,000,000 Options and the proposed re-grant of 4,340,000 Options to Dr. Yang would result in the Shares issued and to be issued in respect of all Options and Awards granted to him (excluding any Options and Awards lapsed in accordance with the terms of the Share Incentive Schemes) in the 12-month period up to and include the Grant Date exceeded 1% of the total number of Shares in issue as at the Grant Date, such re-grant of Options to Dr. Yang, together with the 28,000,000 Options proposed to be granted to him, shall be subject to the approval by the Shareholders at the EGM pursuant to the Rule 17.03D of the Listing Rules. Dr. Yang and his respective associate(s) shall abstain from voting on the resolution(s) to approve, inter alia, such grant and re-grant of Options to himself at the EGM.

(II) PROPOSED AMENDMENTS TO THE SHARE INCENTIVE SCHEMES

Pursuant to the Consultation Conclusions, Chapter 17 of the Listing Rules has been amended to govern both share option schemes and share award schemes involving the grant of new shares or options over new shares of the listed issuer with effect from January 1, 2023.

As a result of the aforesaid amendments, the terms of each of the existing Share Incentive Schemes no longer comply with the Listing Rules. In addition, the transitional arrangements promulgated by the Stock Exchange in the Consultation Conclusions and the Frequently Asked Questions No. 099-2022 provides that a listed issuer may continue to make share grants using existing advanced mandate for a relevant scheme; whereupon expiry of such existing advanced mandate during the transitional arrangement, that is, if such existing advanced mandate has been fully utilised, the terms of the scheme shall be amended to comply with the Listing Rules.

The Post-IPO ESOP utilises an advanced mandate which took effect upon Listing. The maximum grant limit under the Post-IPO ESOP is 98,405,153 (excluding any options lapsed thereunder) and as at December 31, 2022, the total number of shares available for issue and grant under the Post-IPO ESOP was 10,693,496 (after taking into account the 28,000,000 options conditionally granted to Dr. Yang and without taking into account an aggregate of 14,883,700 Options proposed to be granted to the Existing Grantees under the Proposed Re-grants to Existing Grantees).

Accordingly, with the Proposed Re-grants to Existing Grantees as set forth above in this announcement, the Existing Scheme Limit for Post-IPO ESOP would be fully utilised, resulting in an expiry of the advanced mandate which will, in turn, trigger the requirement to amend the terms of the Share Incentive Schemes in accordance with the transitional arrangements promulgated by the Consultation Conclusions. In addition, in order to provide sufficient headroom for the Cancelled Options and the Proposed Re-grants to Existing Grantees which are in excess to the Existing Scheme Limit for Post-IPO ESOP, unless the scheme limit is amended to a higher threshold, an additional advanced mandate shall be sought from the Shareholders for the re-grants under the Post-IPO ESOP.

The Post-IPO RSU Scheme will constitute a share scheme involving the grant of new Shares for the purposes of the Listing Rules. Pursuant to the Listing Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, in observance of the applicable requirements under the Listing Rules, the Directors consider that it would be in the best interests of the Company and its Shareholders to amend each of the Share Incentive Schemes to comply with the Listing Rules, and to adopt the Scheme Mandate Limit and the Service Provider Sublimit.

In light of the above, the Board is pleased to announce that it has resolved on January 6, 2023 to propose the Proposed Amendments to each of the Share Incentive Schemes to bring them in line with the Listing Rules.

Key changes entailed by the Proposed Amendments to the Post-IPO ESOP

The key changes entailed by the Proposed Amendments to Post-IPO ESOP is set out below. Further details of the Proposed Amendments to Post-IPO ESOP will be set out in a circular to be despatched to the Shareholders in due course.

- (a) to revise the Eligible Participants to include (i) an Employee Participant; and (ii) a Service Provider;
- (b) to adopt the Scheme Mandate Limit and the Service Provider Sublimit;
- (c) to bring the requirement of independent Shareholders' approval for refreshment of the Scheme Mandate Limit and Service Providers Sublimit;
- (d) to bring the requirement of approval by the Shareholders for any grant of share options over new shares of the Company to an individual participant if the number of Shares which may be allotted and issued in respect of all options and awards granted under the Share Incentive Schemes to an individual participant will exceed 1% of the total number of Shares in issue in any 12-month period (the "**1% Individual Limit**");
- (e) to require approval by the Shareholders for any grant of share options over new shares of the Company to an independent non-executive Director or a substantial shareholder, or any of their respective associates if the number of Shares which may be allotted and issued in respect of all options and awards granted under the Share Incentive Schemes would result in the shares issued and to be issued in respect of all options and awards granted to such person to exceed 0.1% of the total number of Shares in issue in any 12-month period (the "**0.1% Individual Limit**");
- (f) to adopt a minimum vesting period of 12 months save where the grant of Options to certain Eligible Participants are subject to a shorter vesting period under specific circumstances, and to require approval by the Compensation Committee for any grant of share options to Directors and senior management of the Company;
- (g) to elaborate on the scope of criteria for performance targets as from time to time determined by the Board and/or the Compensation Committee of the Company (as the case may be), including a mixture of key performance indicators components;

- (h) to bring the requirement for Shareholders' approval for any alterations to the provisions of the Post-IPO ESOP relating to the specified matters set out in Rule 17.03 of the Listing Rules;
- (i) to include the necessary carve-outs on the transferability of any Options under the Post-IPO ESOP; and
- (j) to include other amendments for house-keeping purposes and to better align the wording with that of the Listing Rules.

Key changes entailed by the Proposed Amendments to the Post-IPO RSU Scheme

The key changes entailed by the Proposed Amendments to Post-IPO RSU Scheme is set out below. Further details of the Proposed Amendments to Post-IPO RSU Scheme will be set out in a circular to be despatched to the Shareholders in due course.

- (a) to revise the Eligible Participants to include (i) an Employee Participant; and (ii) a Service Provider;
- (b) to adopt the Scheme Mandate Limit and the Service Provider Sublimit;
- (c) to bring the requirement of independent Shareholders' approval for refreshment of the Scheme Mandate Limit and Service Providers Sublimit;
- (d) to adopt a maximum limit for which Restricted Existing Shares may be awarded under the Post-IPO RSU Scheme, being 5% of the total issued Shares of the Company at the date of the Shareholders' approval of the Proposed Amendments (excluding any Restricted Existing Shares lapsed in accordance with term of the Post-IPO RSU Scheme);
- (e) to bring the requirement for 1% Individual Limit;
- (f) to bring the requirement for 0.1% individual limit for grant of awards (excluding options) funded by new shares to directors other than independent non-executive directors and chief executive, or any of their respective associates;
- (g) to bring the requirement for 0.1% Individual Limit;
- (h) to elaborate on the provision for adjustment of the purchase price and awards granted under the Post-IPO RSU Scheme in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital;
- (i) to elaborate on the scope of criteria for performance targets as from time to time determined by the Board and/or the Compensation Committee (as the case may be), including a mixture of key performance indicators components;
- (j) to adopt a minimum vesting period of 12 months save where the grant of Awards to certain Eligible Participants are subject to a shorter vesting period under specific circumstances, and to require approval by the Compensation Committee for any grant of Awards to Directors and senior management of the Company;

- (k) to bring the requirement for Shareholders' approval for any alterations to the provisions of the Post-IPO RSU Scheme relating to the matters set out in Rule 17.03 of the Listing Rules;
- (l) to bring the requirement of abstention of voting by Trustee holding unvested shares, whether directly or indirectly;
- (m) to include the necessary carve-outs on the transferability of the any Options under the Post-IPO ESOP; and
- (n) to include other amendments for house-keeping purposes and to better align the wording with that of the Listing Rules.

Adoption conditions for the Share Incentive Schemes

The adoption of the Proposed Amendments to the Share Incentive Schemes is conditional upon the fulfillment of the following conditions:

- (a) the passing of ordinary resolutions by the relevant Shareholders at the EGM approving (i) the Proposed Amendments to the Post-IPO ESOP; (ii) the Proposed Amendments to the Post-IPO RSU Scheme; (iii) the proposed adoption of the Scheme Mandate Limit; and
- (b) the Company having obtained the Listing Approval.

In relation to the condition set out in (a) above, the EGM will be held for the Shareholders to consider and, if thought fit, approve, inter alia, the Proposed Amendments to the Share Incentive Schemes. No Shareholder is required to abstain from voting on the relevant resolution to approve the Proposed Amendments to the Share Incentive Schemes at the EGM. In relation to the condition set out in (b) above, an application will be made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any awards and/or share options up to 10% of the Shares in issue as at the date of the EGM.

EGM

An EGM will be convened for the purposes of considering, and if thought fit, approve, inter alia, (i) the Proposed Re-grants of Options under the Post-IPO ESOP; (ii) the proposed grant of Options to Dr. Yang under the Post-IPO ESOP; (iii) the proposed amendments to the Post-IPO ESOP; (iv) the proposed amendments to the Post-IPO RSU scheme; (v) the proposed adoption of the Scheme Mandate Limit; and (vi) the proposed adoption of the Service Provider Sublimit. A circular containing, inter alia, further details of the aforesaid matters, together with a notice of the EGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

As of the date of this announcement, (i) the Proposed Re-grants to Existing Grantees under the Post-IPO ESOP beyond the Existing Scheme Limit (including the proposed re-grants of Options to Dr. Yang); (ii) the Proposed Amendments to Post-IPO ESOP; (iii) the Proposed Amendments to the Post-IPO RSU Scheme; (iv) the proposed adoption of the Scheme Mandate Limit; and (v) the proposed adoption of the Service Provider Sublimit, remain subject to the approval of the Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Award(s)”	an award of Restricted Shares by the Board pursuant to the Post-IPO RSU Scheme to an Eligible Participant;
“Board”	the board of Directors;
“Cancelled Options”	such number of the Outstanding Share Options which the Board resolved to cancel;
“Chief Executive Officer”	the chief executive officer of the Company;
“Company”	CStone Pharmaceuticals, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Compensation Committee”	the compensation committee of the Board;
“Consultation Conclusions”	the consultation conclusions on the proposed amendments to listing rules relating to share schemes of listed issuers and housekeeping rule amendment published by the Stock Exchange in July 2022;
“Director(s)”	the director(s) of the Company;
“Dr. Yang”	Dr. Jianxin Yang, our Chief Executive Officer and the sole executive Director;
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, inter alia, the proposed amendments to the Share Incentive Schemes;
“Eligible Participant(s)”	in respect of the Share Incentive Schemes, an individual or a corporate entity (as the case may be), being any of the following: (i) an Employee Participant; and (ii) a Service Provider, in each case provided that the Board and/or the Compensation Committee considers, in its absolute and sole discretion, to have contributed or will contribute to the Group;

“Employee Participant(s)”	in respect of the Share Incentive Schemes, any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted Awards and/or Options under the respective Share Incentive Schemes as an inducement to enter into employment contracts with any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his or her employment, and for the avoidance of doubt, a Eligible Participant shall not cease to be an Employee Participant in the case of (a) any leave of absence approved by the relevant member of the Group; or (b) transfer or re-designation amongst any members of the Group or any successors thereof;
“Existing Grantees”	141 grantees of the Proposed Re-grants to Existing Grantees which included (i) Dr. Yang, (ii) members of the senior management of the Group; and (iii) other employees of the Group;
“Existing Scheme Limit”	98,405,153 Shares, being the total number of Shares which may be issued upon exercise of Options to be granted thereunder, which also represented 10% of total number of Shares in issue as at February 26, 2019;
“Grant Date”	January 6, 2023;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Approval”	the Listing Committee’s approval of the listing of, and permission to deal in, any Share on the Stock Exchange which may be issued by the Company pursuant to the exercise of any Awards and/or Options under the Share Incentive Schemes;
“Listing Committee”	shall have the meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;

“New Exercise Price”	the exercise price of the Options re-granted;
“Original Exercise Price”	the exercise price(s) of the Cancelled Options granted;
“Option(s)”	a right granted to subscribe for Shares pursuant to the Post-IPO ESOP;
“Outstanding Share Options”	the 21,262,427 Options have not been exercised;
“Proposed Amendments to Post-IPO ESOP”	the proposed amendments to the rules governing the Post-IPO ESOP;
“Proposed Amendments to Post-IPO RSU Scheme”	the proposed amendments to the rules governing the Post-IPO RSU Scheme;
“Proposed Re-grants to Existing Grantees”	the proposed re-grant of an aggregate of 14,883,700 Options to the Existing Grantees;
“Post-IPO ESOP”	the post-IPO share option scheme as adopted on February 26, 2019 and proposed to be amended and restated on the EGM;
“Post-IPO RSU Scheme”	the post-IPO restricted share units scheme as adopted on March 22, 2019 and amended and restated on December 10, 2019 and January 7, 2020 and proposed to be further amended and restated on the EGM;
“Restricted Shares”	collectively, the Restricted Existing Shares and the Restricted New Shares;
“Restricted Existing Shares”	in respect of an Eligible Participant, such number of Shares determined by the Board and purchased by the Trustee on the secondary market or transferred, gifted or conveyed to the Trustee;
“Restricted New Shares”	in respect of an Eligible Participant, such number of Shares determined by the Board and issued by the Company out of its available Scheme Mandate Limit;
“Scheme Mandate Limit”	the limit on grants of share awards and/or options over new shares of the Company under all share schemes of the Company approved by its shareholders, which must not exceed 10% of the issued shares of the Company as at the date of the shareholders’ approval of the limit;

“Selected Participant(s)”	any Eligible Participants selected by the Board in accordance with the terms of the Share Incentive Schemes;
“Service Provider(s)”	any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity);
“Service Provider Sublimit”	a sublimit under the Scheme Mandate Limit for share awards and/or options over new shares of the Company under all share schemes of the Company granted to the Service Providers, which must not exceed 1% of the issued shares of the Company as at the date of the shareholders’ approval of the limit;
“Share(s)”	ordinary share(s) of par value of US\$0.0001 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share Incentive Schemes”	share option schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time, including the Post-IPO ESOP and Post-IPO RSU Scheme of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	shall have the meaning ascribed to it under the Listing Rules;
“Trustee”	the trustee corporation or trustee corporations (which is/are independent of and not connected with the Company) to be appointed by the Company for the administration of the Post-IPO RSU Scheme or any additional or replacement trustee(s);

“US\$” United States dollars, the lawful currency of the United States of America;

“%” per cent.

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

Suzhou, the People’s Republic of China, January 6, 2023

As at the date of this announcement, the board of Directors 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.