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CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Sole Overall Coordinator, Sole Placing Agent and Sole Bookrunner

Morgan Stanley

Co-Bookrunner



On February 8, 2023 (before trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, an aggregate of 84,800,000 Placing Shares to not less than six Placées at a price of HK\$4.633 per Placing Share.

The Placing Price of HK\$4.633 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent and represents (i) a discount of approximately 8.80% to the closing price of HK\$5.080 per Share as quoted on the Stock Exchange on February 7, 2023, being the last full trading day immediately prior to the date of the Placing Agreement; and (ii) a discount of approximately 11.14% to the average closing price of HK\$5.214 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last full trading day immediately prior to the date of the Placing Agreement.

The maximum of 84,800,000 Placing Shares represent approximately 7.07% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.61% of the enlarged issued share capital of the Company immediately following the Placing (assuming that there is no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing). The Placing Shares will be allotted and issued under the General Mandate, and is subject to approval by the Shareholders.

Assuming all the 84,800,000 Placing Shares are subscribed for in full, upon completion of the Placing, the gross proceeds from the Placing will be HK\$392.88 million and the net proceeds from the Placing are estimated to be HK\$389.07 million (after deducting the placing commission and other related expenses and professional fees).

The Placing is conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the completion of the Placing).

Shareholders and potential investors should note that the completion of the Placing is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE PLACING AGREEMENT

Date: February 8, 2023 (before trading hours)

Parties: (i) the Company; and
(ii) the Placing Agent

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placing

The Placing Agent has conditionally agreed to place, or procure the placing of 84,800,000 Placing Shares at the Placing Price of HK\$4.633 per Placing Share during the Placing Period (or, failing which, to purchase itself as principal).

The placing commission payable to the Placing Agent under the Placing Agreement is arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market commission rate for similar transactions. The Directors are of the view that the placing commission in respect of the Placing is fair and reasonable based on the current market conditions.

Placees

The Placing Agent will place the Placing Shares to professional, institutional, or other investors that are Independent Third Parties. It is currently expected that the Placing Shares will be placed to not less than six Placees who, together with their respective ultimate beneficial owners, will be Independent Third Parties. The Placing Agent will use its reasonable endeavors, based on information available to the Placing Agent, information provided by the Company and confirmations from the Placees procured by the Placing Agent, to ensure that each Placee procured by the Placing Agent is not a connected person of the Company (as defined in the Listing Rules). It is not expected that any Placee will become a substantial Shareholder (as defined under the Listing Rules) of the Company as a result of the Placing.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum of 84,800,000 Placing Shares under the Placing represents (i) approximately 7.07% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.61% of the issued share capital as enlarged by the allotment and issue of all the Placing Shares. The maximum aggregate nominal value of the Placing Shares under the Placing will be US\$8,480.

Placing Price

The Placing Price is HK\$4.633 per Placing Share which represents:

- (i) a discount of approximately 8.80% to the closing price of HK\$5.080 per Share as quoted on the Stock Exchange on February 7, 2023, being the last full trading day immediately prior to the date of the Placing Agreement; and
- (ii) a discount of approximately 11.14% to the average closing price of approximately HK\$5.214 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last full trading day immediately prior to the date of the Placing Agreement.

The net placing price (after deducting related costs and expenses to be borne by the Company) is approximately HK\$4.588 per Share.

The Placing Price was determined on an arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market price of the Shares. The Directors consider that the Placing Price is fair and reasonable based on the current market conditions.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued under the General Mandate granted to the Board by a resolution of the Shareholders at the annual general meeting of the Company held on June 30, 2022, pursuant to which the Board is authorized to allot and issue up to 237,661,055 Shares. As at the date of this announcement, the Company had not utilized the General Mandate and the 84,800,000 Placing Shares under the Placing represents approximately 35.68% of the entire General Mandate.

The allotment and issue of the Placing Shares are not subject to the approval of the Shareholders.

Ranking of the Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Conditions precedent and completion

The completion of the Placing is conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares).

If the above condition is not satisfied at or before 8:00 a.m. (Hong Kong time) on the Closing Date, the Placing Agent and the Company shall have no obligations or liabilities to each other under the Placing and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensation or otherwise arising under the Placing Agreement save for antecedent breaches.

Completion of the Placing will take place on the first Business Day after the date of fulfilment of the condition as set out above but in any event no later than February 15, 2023, being the fifth Business Day after the date of the Placing Agreement or such other date to be agreed between the Company and the Placing Agent in writing (the “Closing Date”).

Lock-up Undertakings by the Company

The Company undertakes to the Placing Agent to procure, that for a period of three months from the Closing Date, the Company, or any person acting on its behalf, will not:

- (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in paragraph (i) or (ii) above without first having obtained the written consent of the Placing Agent.

The above undertaking shall not apply to the issue of the Placing Shares under the Placing Agreement and any grant, vesting or exercise of option or share award and allotment of shares as a result of any of the foregoing under the share incentive schemes (including if adopted and amended during the said period) of the Company.

Termination

If at any time at or prior to 8:00 a.m. (Hong Kong time) on the Closing Date, any of the specific events provided in the Placing Agreement, such as any breach of any of the representations, warranties and undertakings by the Company as set out in the Placing Agreement, occurs, then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received at or prior to 8:00 a.m. (Hong Kong time) on the Closing Date.

Since the completion of the Placing is subject to the fulfilment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

APPLICATION FOR LISTING

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is a biopharmaceutical company focused on researching, developing, and commercializing innovative immuno-oncology and precision medicines to address the unmet medical needs of cancer patients in China and worldwide. Assuming that all the Placing Shares are fully placed, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing will amount to approximately HK\$392.88 million and approximately HK\$389.07 million respectively. The net placing price per Placing Share will be approximately HK\$4.588.

The terms of the Placing Agreement (including the Placing Price and the placing commission) were determined after arm's length negotiations between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Placing are expected to be fully utilized by the end of 2024 and will be used for the following purposes:

- (i) 20% for commercialization and indication expansion of marketed products such as pralsetinib, avapritinib, and ivosedinib, as well as technology transfer to reduce drug supply cost and improve profitability;
- (ii) 50% for development of pipeline products including but not limited to CS5001 (a potentially best-in-class ROR1 ADC) which is currently in global Phase 1 study and is expecting preliminary efficacy data around the end of 2023;
- (iii) 20% for business development activities to enrich the company's pipeline and fully utilize the company's proven clinical capabilities; and
- (iv) the remaining of the net proceeds for other general corporate purposes where appropriate.

The Board is of the view that the Placing will enlarge the Shareholder base and the capital base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position for its future development. Accordingly, the Board considers that the Placing is in the interests of the Company and the Shareholders as a whole.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activity during the past 12 months immediately before the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY UPON COMPLETION OF THE PLACING

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Placing (assuming all the Placing Shares are fully placed and there is no change in the issued share capital of the Company from the date of this announcement up to the completion of the Placing) are set out as follows:

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	No. of Shares	Approximate percentage of the issued share capital of the Company	No. of Shares	Approximate percentage of the issued share capital of the Company
WuXi Healthcare Ventures II, L.P.	293,381,444	24.47%	293,381,444	22.85%
Graceful Beauty Limited	142,560,448	11.89%	142,560,448	11.10%
Pfizer Corporation Hong Kong Limited	115,928,803	9.67%	115,928,803	9.03%
Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P.	98,216,972	8.19%	98,216,972	7.65%
GIC Private Limited	71,272,472	5.94%	71,272,472	5.55%
Jiang Frank Ningjun	67,014,902	5.59%	67,014,902	5.22%
The Placees	–	–	84,800,000	6.61%
Other Shareholders	410,668,971	34.25%	410,668,971	31.99%
Total	1,199,044,012	100%	1,283,844,012	100%

Given that the completion of the Placing may or may not take place, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Cautionary statement required by Rule 18A.05 of the Listing Rules: There is no assurance that the Company will be able to develop, market, and/or commercialize any of the products in its pipeline successfully. Shareholders and potential investors should exercise due care when dealing in the securities of the Company.

DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Listing Rule
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 30, 2022, under which up to a total of 237,661,055 Shares (being up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution, which was June 30, 2022) can be allotted, issued and dealt with by the Directors
“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
“Independent Third Party(ies)”	person(s) or company(ies) who is(are) third party(ies) independent of the Company and its connected persons and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Placee(s)”	any professional, institutional or other investor(s) whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of 84,800,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Morgan Stanley Asia Limited
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated February 8, 2023 in relation to the Placing
“Placing Period”	the period commencing upon the execution of the Placing Agreement and terminating at 8:00 a.m. (Hong Kong time) on the Closing Date (or such later time and date as the Company and the Placing Agent may agree in writing)
“Placing Price”	HK\$4.633 per Placing Share
“Placing Shares”	an aggregate of 84,800,000 new Shares to be allotted and issued under the Placing pursuant to the Placing Agreement

“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	shall have the meaning ascribed to it under the Listing Rules
“United States”	the United States of America
“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, February 8, 2023

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. 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.