
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CStone Pharmaceuticals, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

- (1) PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES
UNDER THE POST-IPO ESOP;**
- (2) PROPOSED GRANT OF SHARE OPTIONS
TO A DIRECTOR AND CHIEF EXECUTIVE OFFICER
UNDER THE POST-IPO ESOP;**
- (3) PROPOSED AMENDMENTS TO THE POST-IPO ESOP;**
- (4) PROPOSED AMENDMENTS TO THE POST-IPO RSU SCHEME;**
- (5) PROPOSED ADOPTION OF SCHEME MANDATE LIMIT;**
- (6) PROPOSED ADOPTION OF SERVICE PROVIDER SUBLIMIT;**
- (7) NOTICE OF EXTRAORDINARY GENERAL MEETING; AND**
- (8) CLOSURE OF REGISTER OF MEMBERS FOR
THE EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of CStone Pharmaceuticals to be held at 21/F, New Bund Times Square, No. 399 West Haiyang Road, Pudong New District, Shanghai, China on Tuesday, March 7, 2023 at 9:00 a.m. (the "EGM") or any adjournment thereof, the notice of which is set out on pages 65 to 67 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cstonepharma.com).

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. by no later than 9:00 a.m. on Sunday, March 5, 2023). Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

February 15, 2023

PRECAUTIONARY MEASURES

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person found to be suffering from a fever or otherwise unwell will be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) all attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees; and
- (iii) no refreshments and corporate gifts will be provided.

To the extent permitted under applicable laws, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and in response to the recent guidelines on prevention and control of COVID-19 pandemic, Shareholders are reminded that **physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by completing form of proxy in accordance with the instructions printed thereon, Shareholders may appoint the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM instead of attending the EGM in person.**

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DEFINITIONS

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

“Account”	the bank account opened in the name of the Trustee, managed by the Trustee, and operated solely for the purposes of operating the Post-IPO RSU Scheme for the benefit of Selected Participants and can be funded by the Company or any of its Subsidiaries;
“Act(s) of Termination for Cause”	shall have the meaning ascribed to it under the subsection headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Additional Shares”	the maximum number of board lots of Shares;
“Adoption Date”	March 22, 2019, being the date on which the Post-IPO RSU Scheme was adopted by the Company; or February 26, 2019, being the date on which the Post-IPO ESOP was adopted by the Company, as the case may be;
“Amendment Date”	the date on which the amendment of the Share Incentive Schemes is conditionally approved by the resolutions in the EGM;
“Announcements”	collectively, (i) the announcement of the Company dated August 30, 2022 in relation to, inter alia, the Conditional Grant to Dr. Yang, and (ii) the announcement dated January 6, 2023 in relation to the other matters set forth in this circular;
“Articles of Association”	the fourth articles of association of the Company, adopted on January 30, 2019 by Shareholders, with effect from February 26, 2019, and as amended from time to time;
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Auditors”	the auditors for the time being of the Company;
“Award(s)”	an award of Restricted Shares by the Board pursuant to the Post-IPO RSU Scheme to an Eligible Participant;

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“Awarded Amount”	in respect of a Selected Participant, the closing price of the Shares as quoted on the Stock Exchange as at the Grant Date, or as at any other date before the Trustee purchases Restricted Shares on the secondary market as instructed by the Board, multiplied by the number of the Restricted Shares comprised in the Award;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday, Sundays and public holidays) on which the Stock Exchange is open for trading and on which banks are open for normal banking business in Hong Kong;
“Cancelled Options”	shall have the meaning ascribed to it under the sub-section headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Chief Executive Officer”	the chief executive officer of the Company;
“Clawback Mechanism”	shall have the meaning ascribed to it under the sub-section headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“close associate”	shall have the meaning ascribed to it under the Listing Rules;
“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 with stock code 2616;
“Compensation Committee”	the compensation committee of the Board;
“Conditional Grant to Dr. Yang”	shall have the meaning ascribed to it in the sub-section headed “4. <i>PROPOSED GRANT OF 28,000,000 SHARE OPTIONS UNDER THE POST-IPO ESOP TO DR. YANG</i> ” in the Letter from the Board to this circular;

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“connected person”	shall have the meaning ascribed to it under the Listing Rules;
“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;
“Contract”	in relation to an Employee, his or her contract of Employment with the relevant company within the Group;
“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 on Tuesday, March 7, 2023 for the purpose of considering and, if thought fit, approving, inter alia, the proposed amendments to the Share Incentive Schemes;
“Eligible Participant(s)”	<p>in respect of the Share Incentive Schemes, an individual or a corporate entity (as the case may be), being any of the following:</p> <ul style="list-style-type: none">(i) an Employee Participant; and(ii) a Service Provider, <p>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;</p>

DEFINITIONS

“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”	shall have the meaning ascribed to it in the sub-section headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Existing Scheme Limit for Post-IPO ESOP”	shall have the meaning ascribed to it in the sub-section headed “7. <i>PROPOSED ADOPTION OF THE SCHEME MANDATE LIMIT</i> ” in the Letter from the Board to this circular;
“Existing Scheme Limit for Post-IPO RSU Scheme”	shall have the meaning ascribed to it in the sub-section headed “7. <i>PROPOSED ADOPTION OF THE SCHEME MANDATE LIMIT</i> ” in the Letter from the Board to this circular;
“Existing Scheme Limits”	shall have the meaning ascribed to it in the sub-section headed “7. <i>PROPOSED ADOPTION OF THE SCHEME MANDATE LIMIT</i> ” in the Letter from the Board to this circular;
“Grant Date”	in relation to any Options or Restricted Shares, the date on which the Option or Restricted Share is, was or is to be granted, which shall be a Business Day;
“Grant Shares”	the number of Restricted Shares to be granted to the Selected Participant(s) by the Board;

DEFINITIONS

“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;
“Latest Practicable Date”	January 31, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“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 Date”	February 26, 2019, being the date on which the Shares were listed on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“New Exercise Price”	shall have the meaning ascribed to it under the subsection headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Option(s)”	a right granted to subscribe for Shares pursuant to the Post-IPO ESOP;
“Option Period(s)”	the period during which the Option can be exercised as set forth in the offer letter in accordance with the Post-IPO ESOP, which, in any event, must end on or before the 10th anniversary of the date of the grant of such Option;

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“Original Exercise Price”	shall have the meaning ascribed to it under the subsection headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Outstanding Share Options”	shall have the meaning ascribed to it under the subsection headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Post-IPO ESOP”	the post-IPO share option scheme as adopted on February 26, 2019 and proposed to be amended and restated on the Amendment Date;
“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 Amendment Date;
“Pre-IPO Incentive Plan”	the pre-IPO employee equity plan adopted by the Company on July 7, 2017 and as amended and restated on August 14, 2018 and as further amended and restated on January 26, 2019 and as further amended and restated on January 7, 2020;
“Proposed Amendments to Post-IPO ESOP”	shall have the meaning ascribed to it under the subsection headed “5. <i>PROPOSED AMENDMENTS TO THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;
“Proposed Amendments to Post-IPO RSU Scheme”	shall have the meaning ascribed to it under the subsection headed “6. <i>PROPOSED AMENDMENTS TO THE POST-IPO RSU Scheme</i> ” in the Letter from the Board to this circular;
“Proposed Re-grants to Existing Grantees”	shall have the meaning ascribed to it under the subsection headed “3. <i>PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP</i> ” in the Letter from the Board to this circular;

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“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;
“Restricted Shares”	collectively, the Restricted Existing Shares and the Restricted New Shares;
“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);

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“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;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time;
“Share(s)”	the ordinary share(s) of par value of US\$0.0001 each in the capital of the Company;
“Share Incentive Schemes”	the 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;
“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;
“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);
“Unaccepted Shares”	such Shares pursuant to a grant which are not accepted by the Selected Participant;
“Unvested Shares”	such Shares pursuant to a grant which are not vested by the Selected Participant;

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“US\$”	United States dollars, the lawful currency of the United States of America;
“Vesting Date”	the date or each such date on which the Grant Shares are to vest;
“Zhengze Yuanshi”	shall have the meaning ascribed to it under the subsection headed “ <i>Effects on the Shareholding Structure of the Company upon Full Vesting and Exercise of the Grant of Options to Dr. Yang</i> ” in the Letter from the Board to this circular; and
“%”	per cent.

LETTER FROM THE BOARD



CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

Executive Director:

Dr. Jianxin Yang (*Chief Executive Officer*)

Non-executive Directors:

Dr. Wei Li (*Chairman*)

Mr. Kenneth Walton Hitchner III

Mr. Xianghong Lin

Mr. Edward Hu

Independent non-executive Directors:

Dr. Paul Herbert Chew

Mr. Ting Yuk Anthony Wu

Mr. Hongbin Sun

Registered office:

The offices of Vistra (Cayman) Limited

P.O. Box 31119, Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

*Head Office and Principal Place
of Business in China:*

218 Xinghu Str.

C1 Building, North Block

Suzhou Industrial Park

China

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

February 15, 2023

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES
UNDER THE POST-IPO ESOP;**
**(2) PROPOSED GRANT OF SHARE OPTIONS
TO A DIRECTOR AND CHIEF EXECUTIVE OFFICER
UNDER THE POST-IPO ESOP;**
(3) PROPOSED AMENDMENTS TO THE POST-IPO ESOP;
(4) PROPOSED AMENDMENTS TO THE POST-IPO RSU SCHEME;
(5) PROPOSED ADOPTION OF SCHEME MANDATE LIMIT;
(6) PROPOSED ADOPTION OF SERVICE PROVIDER SUBLIMIT;
(7) NOTICE OF EXTRAORDINARY GENERAL MEETING; AND
**(8) CLOSURE OF REGISTER OF MEMBERS FOR
THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to the Announcements.

The purpose of this circular is to provide you with information regarding the following proposals to be put forward at the EGM for the approval of, 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.

LETTER FROM THE BOARD

2. SHARE INCENTIVE SCHEMES

The Company currently has a total of three share schemes, namely (i) the Pre-IPO Incentive Plan, (ii) the Post-IPO ESOP, and (iii) the Post-IPO RSU Scheme, of which each of the Post-IPO ESOP and the Post-IPO RSU Scheme took effect upon completion of the Listing.

Following the adoption of the Share Incentive Schemes upon Listing, in July 2022, the Stock Exchange published its conclusions to the consultation on the proposals to amend the Listing Rules relating to share schemes of listed issuers (i.e. the Consultation Conclusions), pursuant to which, inter alia, the requirements for share schemes as set out in Chapter 17 of the Listing Rules has been amended with effect from January 1, 2023.

As a result of the aforesaid amendments to the Chapter 17 of the Listing Rules, the terms of each of the existing Share Incentive Schemes no longer comply with new 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 the Latest Practicable Date, the total number of shares available for issue and grant under the Post-IPO ESOP was 12,045,352 (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).

Pursuant to the rules of the existing Post-IPO RSU Scheme, the maximum grant limit under the Post-IPO RSU Scheme is 38,010,316 (excluding any RSUs lapsed) and as at the Latest Practicable Date, the total number of shares available for issue and grant under the Post-IPO RSU Scheme was 13,367,596.

Accordingly, with the Proposed Re-grants to Existing Grantees as set forth in the sub-section headed “3. *PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES*” in this Letter from the Board, 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.

LETTER FROM THE BOARD

On the above basis, coupled with the observance of other 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. The proposed amendments to the terms of the Post-IPO ESOP and the Post-IPO RSU Scheme are set out in Appendices I and II to this circular, respectively. The ordinary resolutions in relation to the Proposed Amendments to the Share Incentive Schemes will be proposed at the EGM to be held on March 7, 2023.

Shareholders should note that no similar amendments are required to be made in relation to the Pre-IPO Incentive Plan (which was adopted by the Company on July 7, 2017 and as subsequently amended, restated, and supplemented) for the reason that all awards under that plan were issued prior to the Listing and no further awards can be issued thereunder. Accordingly, the Pre-IPO Incentive Plan, and the awards already granted thereunder, are unaffected by the amendments to Chapter 17 of the Listing Rules as set forth in the Consultation Conclusions. Shareholders should refer to the annual report of the Company for the twelve months ended December 31, 2021 for details of the awards granted under the Pre-IPO Incentive Plan.

3. PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES UNDER THE POST-IPO ESOP

References are made to the announcement of the Company dated January 6, 2023 in relation to the proposed cancellation of 21,262,427 Options (the “**Outstanding Share Options**”) and the proposed re-grant of an aggregate of 14,883,700 Options to the Existing Grantees (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, to subscribe for new Shares (the “**Existing Grantees**”).

As disclosed in the section headed “*7. PROPOSED ADOPTION OF THE SCHEME MANDATE LIMIT*” in this Letter from the Board, as at the Latest Practicable Date, the maximum number of Options available for grant under the Post-IPO ESOP is 12,045,352 Options, which represented approximately 12.24% of the Existing Scheme Limit for Post-IPO ESOP.

In order to provide for sufficient headroom for the Proposed Re-grants to Existing Grantees, which is 2,838,348 Options in excess of the maximum number of Options available for grant under the Existing Scheme Limit for Post-IPO ESOP, the Proposed Re-grants to Existing Grantees will utilize (i) the Existing Scheme Limit for Post-IPO ESOP; and (ii) the new Scheme Mandate Limit, further details of allocation of which are set forth in the section headed “*Details of the Re-grants of Options to Existing Grantees*” in this Letter from the Board.

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The proposed re-grants to Dr. Yang in an aggregate of 4,340,000 Options, subject to acceptance, will utilize the new Scheme Mandate Limit; whereas the proposed re-grants to (i) members of the senior management of the Group and (ii) other employees of the Group in an aggregate of 10,543,700 Options (which represented approximately 0.88% of the total number of Shares in issue as at the Grant Date), subject to acceptance, will utilize the Existing Scheme Limit for Post-IPO ESOP. The remaining portion of 1,501,652 Options available for grant under the Existing Scheme Mandate Limit for Post-IPO ESOP shall expire upon the Scheme Mandate Limit becoming effective upon approval by the Shareholders at the EGM.

In addition, given that (i) the Proposed Re-grants to Existing Grantees of an aggregate of 14,883,700 Options was considered, and approved by the Board as a whole, and (ii) the proposed re-grants of 4,340,000 Options to Dr. Yang is conditional upon the adoption of the Scheme Mandate Limit which is to be approved, if thought fit, by the Shareholders at the EGM, in the event that any of the ordinary resolution(s) for approving the Proposed Amendments to Post-IPO ESOP, the Scheme Mandate Limit or the said proposed re-grants of 4,340,000 Options to Dr. Yang has not been passed, the Proposed Re-grants to Existing Grantees of an aggregate of 14,883,700 Options will not become effective in its entirety.

For the avoidance of doubt, given that the proposed re-grants of 4,340,000 Options to Dr. Yang will utilize the new Scheme Mandate Limit to be approved by the Shareholders at the EGM, the Proposed Re-grants to Existing Grantees is not subject to the requirements of Rule 17.03C(3) of the Listing Rules despite the total number of Options under the Proposed Re-grants to Existing Grantees is 2,838,348 Options in excess of the maximum number of Options available for grant under the Existing Scheme Limit.

Details of the Re-grants of Options to Existing Grantees

The details of the Options granted to the Existing Grantees, subject to acceptance, 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)
Maximum number of new Shares to be subscribed upon exercise of the Options granted:	14,883,700 ^{Note}
Consideration for the Grant of Options:	Nil to be paid by the grantee upon acceptance of the Options granted
Subscription price of the Options granted:	HK\$4.900 per Share (the “ New Exercise Price ”)

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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, subject to acceptance, shall vest as follows: <ul style="list-style-type: none">• 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.
Performance target	<p>Not applicable, as there were no performance targets attached to the Outstanding Share Options.</p> <p>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.</p>
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 (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 (" Act(s) of Termination for Cause ") including without limitation:

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- (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 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.

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Note: Details of the allocation 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 ^{Remark}	Utilization of scheme mandate limit
Dr. Yang	Chief Executive Officer and sole executive Director	6,200,000	4,340,000	Scheme Mandate Limit to be approved by the Shareholders at the EGM
Senior management	Senior management members other than Directors or substantial shareholders of the Company	5,023,749	3,516,625	Existing Scheme Limit for Post-IPO ESOP
Other employees	Employees of the Company other than Directors, substantial shareholders or senior management members of the Company	10,038,678	7,027,075	Existing Scheme Limit for Post-IPO ESOP

Remark: As disclosed in the sub-section headed “3. PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEES UNDER THE POST-IPO ESOP” in this Letter from the Board, the proposed re-grants of up to 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 the Latest Practicable Date, had 12,045,352 total number of shares available for issue and grant under the Post-IPO ESOP. Following the aforesaid application, the remaining 1,501,652 total number of shares available for issue and grant under the Post-IPO ESOP shall expire.

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.

Subscription Price of the Options following Cancellation

The subscription 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.

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Re-grant of Options to Dr. Yang, an Existing Grantee

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 of the Company and all the independent non-executive Directors.

The 4,340,000 Options to be granted to Dr. Yang represent approximately 0.36% of the total number of Shares in issue as at the Grant Date. Pursuant to Rule 17.03D(1) of the Listing Rules, as the proposed re-grant of Options to Dr. Yang in the 12-month period up to and include the Grant Date amounted to 32,340,000 Options, which represented approximately 2.70%, and exceeded 1%, of the total number of Shares in issue as at the Grant Date, the re-grant of the Options to Dr. Yang shall be subject to (i) Shareholders' approval of the new Scheme Mandate Limit; and (ii) Shareholders' approval at the EGM. Dr. Yang and his respective associate(s) shall abstain from voting at the EGM for the purpose of approving the Proposed Re-grants to Existing Grantees.

Reasons for and Benefits of the Re-grant of Options under the Post-IPO ESOP to Existing Grantees, including Dr. Yang

To All Existing Grantees

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 Company and the Group Companies and to align their interests with that of the Company and the Shareholders as a whole.

Given that 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**")) is much higher than the recent market price of the Shares, the Board and the Compensation Committee is 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. As such, the Board has resolved to cancel such number of Outstanding Share Options (the "**Cancelled Options**") pursuant to terms of the Post-IPO ESOP and to "re-grant" each such Existing Grantee such number of new Options, in each case subject to acceptance, which represent approximately 70% of the Cancelled Options held by such Existing Grantee. As for the portion of Cancelled Options which have been vested but yet exercised, the Company shall "re-grant" such number of new Options, subject to acceptance, 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, subject to acceptance, which represent approximately 75% of the Cancelled Options held by him or her.

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In the event that the Proposed Re-grants to the Existing Grantees is revoked in its entirety due to the relevant resolution(s) not being passed at the EGM, the Board may consider other alternative incentives and rewards to recognize the Existing Grantees' contribution to the Group (including without limitation, making new grants under the existing share incentive plans of the Group as amended from time to time and where appropriate, utilizing the Scheme Mandate Limit). In the event that the new Options to be re-granted have not been fully accepted by the Existing Grantees, the number of Cancelled Options shall be adjusted accordingly.

In particular, 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 serve to incentivise such grantees to continue contributing to the Group on the following basis:

- (i) by making such number of new Options representing approximately 70% to the number of Cancelled Options held by an Existing Grantee, the Company can be in a position 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); and
- (ii) 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.

Save for the proposed re-grant of Options to Dr. Yang, there are no other grants made to any Director, substantial Shareholder or chief executive or their respective associates, and save for the re-grant 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.

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.

Specifically To Dr. Yang

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.

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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. For the avoidance of doubt, the proposed re-grant of 4,340,000 Options is to reward Dr. Yang for his past performance and contribution to the Group in his respective capacity as the Senior Vice President and the Chief Medical Officer, which formed part of the decision made by the Board on cancellation and re-grant with same treatment to all Existing Grantees as well as on same terms and conditions for grants offered to any other Existing Grantees. Therefore, the proposed re-grant of 4,340,000 Options to Dr. Yang shall serve an entirely different purpose to that of the earlier conditional grant of the 28,000,000 Options to him, which was to incentivise him for taking up his new roles as the sole executive Director and the Chief Executive Officer.

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.

For the above reasons, the Board (including all the independent non-executive Directors but excluding Dr. Yang, who had abstained from voting on the resolution relating to the Options proposed to be granted to himself and had not been counted towards the quorum of the Board meeting in respect of such resolution) is of the view that the Options proposed to be granted to Dr. Yang (including the amount of Options) are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Save for the proposed grant of Options to Dr. Yang as an Existing Grantee, none of the other Existing Grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules). In addition, none of the Proposed Re-grants to Existing Grantees (save for Dr. Yang) shall result in the total number of awards and/or share options which may be granted to each of such Existing Grantee under the Share Incentive Schemes and any other share schemes of the Company exceed 1% of the total number of Shares in issue on the Amendment Date.

The Re-grants of Options to Dr. Yang, an Existing Grantee, is subject to Shareholders' approval and in addition, is conditional upon the Shareholders' approval of the new Scheme Mandate Limit. In the event that Shareholders' approval in the EGM for the Scheme Mandate Limit is not obtained, the Company shall revoke the Proposed Re-grants to Existing Grantees in its entirety and publish further announcements where appropriate.

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Effects on the Shareholding Structure of the Company upon Full Vesting and Exercise of the Grant of Options to Dr. Yang

For illustrative purposes, the following table shows the changes in (i) the shareholding structure of the Company as at the Latest Practicable Date; and (ii) the shareholding structure of the Company assuming the two batches of Options (namely (x) 14,883,700 Options proposed to be re-granted to the Existing Grantees (amongst which 4,340,000 Options are proposed to be granted to Dr. Yang) under the Post-IPO ESOP; and (y) the 28,000,000 Options conditionally granted to Dr. Yang), are vested and exercised in full and that there is no any other changes in the issued share capital of the Company from the Latest Practicable Date and up to the full vesting and exercise of such Options proposed to be granted:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issuance of new Shares assuming full vesting and exercise of the 28,000,000 Options to Dr. Yang and 14,883,700 Options to the Existing Grantees (including Dr. Yang)	
	Number of Shares	Approximate percentage of the issued share capital of the Company ⁽¹⁾	Number of Shares	Approximate percentage of the issued share capital of the Company ⁽¹⁾
WuXi Healthcare Ventures II, L.P. ⁽²⁾	293,381,444	24.47	293,381,444	23.62
Graceful Beauty Limited ⁽³⁾	142,560,448	11.89	142,560,448	11.48
Dr. Yang	8,279,786 ⁽⁴⁾	0.69 ⁽⁴⁾	8,279,786 ⁽⁴⁾ 28,000,000 ⁽⁵⁾ 4,340,000 ⁽⁶⁾	0.67 ⁽⁴⁾ 2.25 ⁽⁵⁾ 0.35 ⁽⁶⁾
<i>Subtotal for Dr. Yang</i>			40,619,786	3.27
Other public shareholders	754,822,334	62.95	765,366,034	61.63
Total	1,199,044,012	100	1,241,927,712⁽⁷⁾	100

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Notes:

- (1) The calculation is based on the total number of 1,199,044,012 Shares in issue as at the Latest Practicable Date. Certain figures included in the table above have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
- (2) As at the Latest Practicable Date, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. To the best knowledge of our Company, WuXi Healthcare Ventures II, L.P. is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures II, L.P.
- (3) As at the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 142,560,448 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.
- (4) As at the Latest Practicable Date, the total number of Shares to which Dr. Yang is entitled to, upon full vesting and exercise of the respective Options and Awards held by him under the Pre-IPO Incentive Plan, Post-IPO ESOP and Post-IPO RSU Scheme is 46,247,256, of which:
 - (i) 8,279,786 Shares represent his interest in such number of issued Shares held by him as a beneficial owner;
 - (ii) 67,470 Shares represent his interest held in the restricted share units granted to him under the Pre-IPO Incentive Plan upon full vesting and exercise of such restricted share units;
 - (iii) 700,000 Shares represent his interest held in the restricted share units granted to him under the Post-IPO RSU Scheme upon full vesting and exercise of awards;
 - (iv) 3,000,000 Shares represent his interest held in new Shares to be issued upon full vesting and exercise of the options granted to him under the Pre-IPO Incentive Plan, subject to the vesting and other conditions in respect thereof; and
 - (v) 34,200,000 Shares represent his interest held in new Shares to be issued upon full vesting and exercise of the options granted to him under the Post-IPO ESOP, subject to the vesting and other conditions in respect thereof.
- (5) These Shares represent the number of Shares underlying the 28,000,000 Options as referred to in the sub-section headed “4. PROPOSED GRANT OF 28,000,000 SHARE OPTIONS UNDER THE POST-IPO ESOP TO DR. YANG” in this Letter from the Board.
- (6) These Shares represent the number of Shares underlying the 4,340,000 Options proposed to be re-granted to Dr. Yang under the Post-IPO ESOP as referred to in the sub-section headed “4. PROPOSED GRANT OF 28,000,000 SHARE OPTIONS UNDER THE POST-IPO ESOP TO DR. YANG” in this Letter from the Board and assuming that the 4,340,000 Options have been fully accepted.
- (7) This figure represents the number of total issued Shares assuming that the two batches of Options (namely (x) the 28,000,000 Options conditionally granted to Dr. Yang, and (y) 14,883,700 Options proposed to be re-granted to the Existing Grantees (amongst which 4,340,000 Options are proposed to be granted to Dr. Yang) under the Post-IPO ESOP) have been accepted in full and are vested and exercised in full and that there is no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the full vesting and exercise of such Options proposed to be granted.

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4. PROPOSED GRANT OF 28,000,000 SHARE OPTIONS UNDER THE POST-IPO ESOP TO DR. YANG

References are made to the announcement of the Company dated August 30, 2022 in relation to the proposed conditional grant of 28,000,000 Options to Dr. Yang under the Post-IPO ESOP, subject to (i) acceptance of such Options by Dr. Yang; and (ii) approval by the Shareholders at a general meeting (the “**Conditional Grant to Dr. Yang**”).

Following the aforesaid Conditional Grant to Dr. Yang, as at the Latest Practicable Date, the total number of Options available for grant under the Post-IPO ESOP is 12,045,352, representing approximately 12.24% of the original scheme mandate limit for Post-IPO ESOP, being 98,405,153 Shares.

Further details of the Conditional Grant to Dr. Yang

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

Grant Date:	August 30, 2022
Total number of new Shares to be subscribed for, 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

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- 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
- Exercise period of the Options: The exercise period of the Options shall be subject to the grant letter to Dr. Yang (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: The 14,000,000 Options conditionally 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 conditionally 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);

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- 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, subject to compliance of the requirements under Rule 17.03F of the Listing Rules as and when appropriate.

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Performance target:

As regards the Conditional Grant of 14,000,000 Options to Dr. Yang, there were no performance targets attached thereto; whereas the remaining 14,000,000 Options to Dr. Yang are subject to performance targets and other requirements as set out in the grant letter entered into between Dr. Yang and the Company.

The Compensation Committee is of the view that the Conditional Grant of 14,000,000 Options to Dr. Yang without performance targets is (i) market competitive, (ii) consistent with the Company's customary practice on previous grants of share incentives to Dr. Yang, and (iii) aligns with the purpose of the Post-IPO ESOP for the following reasons:

- (i) The Compensation Committee considered the Conditional Grant of 14,000,000 Options without any performance targets is market competitive because, the conditional grant, on its own, represents a mean of direct encouragement and forms part of the remuneration package for Dr. Yang, which is commensurate with his promotion and progression within the Group as the Chief Executive Officer and sole executive Director of the Company. By making the Conditional Grant of 14,000,000 Options to him without any performance targets attached thereto, it is expected that the grant can bring about immediate incentivization effect to Dr. Yang, which is considered a more attractive motivation to Dr. Yang for continuing to serve such roles.

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- (ii) The Compensation Committee considered that, by offering a hybrid structure in terms of attaching performance targets to Options, the holistic arrangement can optimize the incentive effect on Dr. Yang when making the conditional grant.
- (iii) In addition, the value of the Options will be linked to the future price of the Shares, which in turn depends upon the performance of the Company; and the minimum vesting period will ensure that Dr. Yang, as a grantee, and Company's long term interests are aligned and that the grantee will be motivated to contribute towards the Company's development.

Clawback mechanism

The Conditional Grant to Dr. Yang is subject to the Clawback Mechanism under the Post-IPO ESOP in the event that the Board determines Dr. Yang (as grantee) ceases to be an employee by the reason of any Act of Termination for Cause.

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 Dr. Yang to facilitate the purchase of Shares under the Post-IPO ESOP.

The 28,000,000 Options conditionally granted are subject to the individual performance satisfaction and other requirements as set out in the grant letter entered into between Dr. Yang and the Company.

Subscription Price of the 28,000,000 Options

The subscription price 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.

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Implications under the Listing Rules

Pursuant to Rule 17.03D(1) of the Listing Rules, where any grant of options or awards to a participant would result in the shares issued and to be issued in respect of all options and awards 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 Shares in issue, such grant must be separately approved by shareholders of the Company in general meeting with such participant and his close associates (or associates if the participant is a connected person) abstaining from voting.

The Conditional Grant to Dr. Yang (for the avoidance of doubt, excludes the proposed grant of 4,340,000 options to Dr. Yang, details of which are set forth in the section headed “3. *PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES UNDER THE POST-IPO ESOP*” to the Letter from the Board in this circular) represent approximately 2.34% of the total number of Shares in issue as at the Grant Date. Given that the total number of Shares issued and to be issued upon exercise of the 28,000,000 Options would exceed, in a 12-month period, 1% of the total number of Shares in issue, the Conditional Grant to Dr. Yang shall be subject to the approval by the Shareholders at the EGM in accordance with the Rule 17.03D(1) of the Listing Rules. Dr. Yang and his associate(s) shall abstain from voting at the EGM for the purpose of approving the Conditional Grant to Dr. Yang.

Reasons for and Benefits of the Conditional Grant of 28,000,000 Options to Dr. Yang

With effect from August 25, 2022, Dr. Yang was appointed as, inter alia, the sole executive Director and the Chief Executive Officer. Prior to such appointments, he previously assumed the roles of Senior Vice President and the Chief Medical Officer with the Group since December 2016.

With his extensive experience in biomedical research and clinical development of oncology drugs in the U.S. and China, the Board believed that the Conditional Grant to Dr. Yang (which forms part of the remuneration package under his letter of appointment with the Company) can serve to incentivise Dr. Yang to further contribute to the long-term growth of the Group in his newly assumed roles by further leveraging on his industry expertise and extensive knowledge of the Company’s portfolio drug candidates at the Board level; and to align his interests with that of the Company and the Shareholders as a whole. Therefore, the Board (including all the independent non-executive Directors but excluding Dr. Yang, who had abstained from voting on the resolution relating to the Options conditionally granted to himself and had not been counted towards the quorum of the Board meeting in respect of such resolution) considered that terms and conditions to the Conditional Grant to Dr. Yang are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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The aforesaid Conditional Grant to Dr. Yang has been approved by the Board (including but not limited to the independent non-executive Directors), save that Dr. Yang had abstained from voting on the resolution of the Board relating to the conditional grant of Options to himself. In accordance with Rule 17.04(1) of the Listing Rules, the Conditional Grant to Dr. Yang has been approved by all the independent non-executive Directors of the Company and also reviewed and approved by the Compensation Committee.

Save as the Conditional Grant to Dr. Yang, no other Options were granted by the Company to any other grantee on the Grant Date.

5. PROPOSED AMENDMENTS TO THE POST-IPO ESOP

The Post-IPO ESOP

The Company has adopted the Post-IPO ESOP on January 30, 2019, which took effect upon completion of the Listing. 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 a listed issuer, with effect from January 1, 2023. In light of the proposed amendments to the Chapter 17 of the Listing Rules which shall take effect from January 1, 2023, the Board is pleased to announce that it has resolved on January 6, 2023 to propose certain amendments to the rules governing the Post-IPO ESOP (the “**Proposed Amendments to Post-IPO ESOP**”) to bring the Post-IPO ESOP in line with the Listing Rules.

As disclosed in Appendix I to this circular, the purpose of the Post-IPO ESOP is to attract and retain employees of the Group and to reward our eligible employees, the Directors and other Selected Participants for their past contribution to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case-by-case basis as provided in the relevant offer letter, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors in accordance with the applicable laws and regulations, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

The purpose of including participants other than employees and directors of the Group in the Post-IPO ESOP, such as Service Providers, is to give more flexibility to the Company to incentivise and reward such persons who are expected to have a long term relationship with the Group, so that they may participate in the growth of the Group and continue to contribute to the benefit of the Group.

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The eligibility of those Service Providers, being external parties other than employees and directors of the Group, will be determined by the Board considering the potential and/or actual contribution of these individual parties to the operation and business of the Group. The Directors consider that the inclusion of such Service Providers, whom are often business associates and stakeholders other than employees and directors of the Group, as eligible participants is appropriate as the successful development of the Group could not be achieved by the directors and employees of the Group alone and will also depend on the cooperation of the business associates and other stakeholders of the Group, which all play an important role in the business of the Group. Given that the success of the Group requires the cooperation and contribution from such parties, it is important that the Group is able to maintain a long term and sustainable relationship with them.

The Directors consider that it is not appropriate nor practicable to state the value of all the Options that can be granted under the Post-IPO ESOP as if they had been granted at the Latest Practicable Date, as a number of factors and assumptions crucial for the calculation of the value of the Options cannot be determined. Such factors include, inter alia, the grant price or the subscription price for the Options (if any), the exercise period, any vesting period, any performance targets being set and any other terms and conditions that the Board and/or the Compensation Committee may impose with respect to the Options under the Post-IPO ESOP. Therefore, at this stage, particularly given the expected volatility of underlying shares, any calculation of the value of the Options as at the Latest Practicable Date based on the large number of speculative assumptions may not be meaningful and may be misleading to the Shareholders and the public investors of the Company.

As of the Latest Practicable Date, there were 1,199,044,012 Shares in issue. Assuming there is no change in the total number of issued Shares since the Latest Practicable Date, the maximum number of Shares issuable pursuant to the amended Post-IPO ESOP and any other schemes of the Company in aggregate will be 119,904,401 Shares, being 10% of the total number of Shares in issue on the Amendment Date.

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

The key changes entailed by the Proposed Amendments to the Post-IPO ESOP are set out below:

- (a) to revise the Eligible Participants to include (i) an Employee Participants; (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;

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- (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 up to and including the date of such grant (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 up to and including the date of such grant (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 the 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.

Basis of eligibility of the participants

In the case of Employee Participants, assessing factors include, among others, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group.

In the case of Service Providers, such category of participants include (i) independent contractors, who work for the Group where the continuity and frequency of their services are akin to those of employees in providing advisory services, consultancy services, and/or other professional services to the Group on areas relating to, or ancillary to, the Group’s principal

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business (including without limitation, the development of various intellectual properties and clinical investigations), or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group, (ii) consultant and/or advisors for the R&D and product commercialization of highly complex biopharmaceutical products, 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(s) shall provide services to the Group in connection with the R&D and commercialization of highly complex biopharmaceutical products. Amongst the Service Providers eligible for the granting of Options (i) independent contractors are to directly contribute to the long term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The work of independent contractors are closely connected with various areas of the Group's day-to-day operations, including sales, procurement, marketing, manufacturing and R&D of pharmaceutical products, and their performances will contribute to the operating performance and financial results of the Group; and (ii) consultants and/or advisors are those who would play significant roles in the Group's business development by contributing their specialized skills and knowledge in the business activities of the Group on a continuing and recurring basis. Such consultants and/or advisors would possess industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business, financial or commercial areas of the Group. Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of the Group.

In assessing the eligibility of Service Provider(s), the Board will consider all relevant factors as appropriate, including, among others:

(i) in general:

- A. the length of business relationship with the Group;
- B. the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
- C. the track record in the quality of services provided to and/or cooperation with the Group and the ability to maintain the quality of services; and
- D. the scale of business dealing and/or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider.

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(ii) specifically in respect of Service Provider(s) in the category of independent contractors:

- A. the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the profits and/or income attributable to the Service Provider's collaboration with the Group;
- B. the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.

(iii) specifically in respect of Service Provider(s) in the category of consultants and/or advisors:

- A. the expertise, professional qualifications and industry experience of the Service Provider;
- B. the prevailing market fees chargeable by other services providers;
- C. the Group's period of engagement of or collaboration with the Service Provider; and
- D. the Service Provider's actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit.

Views of independent non-executive Director on the proposed inclusion of Service Providers as Eligible Participants

Having considered the basis of eligibility of the Service Providers, the Board (including the independent non-executive Directors) is of the view that the proposed inclusion of Service Providers of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group as Eligible Participants under the Post-IPO ESOP would induce and provide further incentive to both current and future Service Providers of the Group to contribute to the development, growth and success of the Group, and is in line with the modern commercial practice with reference to other companies listed on the Stock Exchange to include Eligible Participants, such as Service Providers of the Group, to be given incentives to work towards enhancing the value and attaining the long-term objectives of the Company and for the benefit of the Group as a whole.

Accordingly, the Board (including the independent non-executive Directors) consider the inclusion of Service Provider as Eligible Participants fits the purpose of the Company's share schemes and is in the interests of the Company and its Shareholders.

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Basis of the Proposed Amendments to the Post-IPO ESOP

The Post-IPO ESOP is established to attract and retain Employees, to reward Eligible Participants for their past contribution to the Company, to provide incentives to the Eligible Participants to further contribute to the Company and the subsidiaries and to align their interests with that of the Company and the Shareholders as a whole.

The grant of Options to the Eligible Participants would not only align the interest of the Group with these grantees but also provide incentive and reward for (i) their participation and involvement in promoting the business of the Group, (ii) their joint and collaborative efforts in co-creating value for the Group's customers, and (iii) maintaining a good and long-term relationship with the Group. The Board believes that through the grant of Options, such Eligible Participants will have a common goal as the Group in the growth and development of the Group's business and therefore aligns with the purpose of the Post-IPO ESOP.

The vesting period for Options under the Post-IPO ESOP shall not be less than 12 months, whilst any grant of Options to the Employee Participants are subject to a shorter vesting period under specified circumstances. In this connection, the Board and the Compensation Committee are of the view that the shorter vesting period prescribed in sub-paragraph 6(B) of Appendix I to this circular is in line with the requirements under the Listing Rules, customary market practice, and allows flexibility for the Company to reward exceptional performers with an accelerated vesting schedule, or under exceptional circumstances where justified, all in which aligns with the purpose of the Post-IPO ESOP. The Post-IPO ESOP does not have a trustee.

The Board believes that it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would then be a more meaningful reward for the Participants' contribution or potential contribution. Further, by allowing the Company to grant Options under the Post-IPO ESOP at a subscription price and/or require the Participant to achieve such performance targets as may be stipulated in the offer letter on a case by case basis, the Company may be in a better position to retain such Participants to continue serving the Group whilst at the same time providing these Participants further incentive in achieving the goals of the Group, and therefore aligns with the purpose of the Post-IPO ESOP.

A summary of the principal amended terms of the Post-IPO ESOP to be approved at the EGM is set out in Appendix I to this circular.

Adoption Conditions for the Post-IPO ESOP

The adoption of the Proposed Amendments to the Post-IPO ESOP is conditional upon the fulfillment of the following conditions:

- (a) the passing of ordinary resolutions by the Shareholders at the EGM approving (i) the Proposed Amendments to the Post-IPO ESOP; (ii) the proposed adoption of the Scheme Mandate Limit; and

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(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 Post-IPO ESOP. No Shareholder is required to abstain from voting on the relevant resolution to approve the Proposed Amendments to the Post-IPO ESOP 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 Amendment Date.

6. PROPOSED AMENDMENTS TO THE POST-IPO RSU SCHEME

The Post-IPO RSU Scheme

The Company first adopted the Post-IPO RSU Scheme on March 22, 2019 and was subsequently amended and restated on December 10, 2019 and January 7, 2020. 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. 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 be made to the Post-IPO RSU Scheme (the “**Proposed Amendments to the Post-IPO RSU Scheme**”) to bring it in line with the Listing Rules.

The purposes and the objectives of the Post-IPO RSU Scheme are to (i) recognise the contributions by selected participants; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the selected participants to maximise the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the shareholders of the Company through ownership of Shares. The Board believes that through the grant of Awards, such Eligible Participants will share a common goal with the Group in terms of the long-term growth and development of the Group and therefore align with the purpose of the Post-IPO RSU Scheme.

The purpose of including participants other than employees and directors of the Group in the Post-IPO RSU Scheme, such as Service Providers, is to give more flexibility to the Company to incentivise and reward such persons who are expected to have a long term relationship with the Group so that they may participate in the growth of the Group and will continue to contribute to the benefit of the Group and therefore aligns with the purpose of the Post-IPO RSU Scheme. The eligibility of those Service Providers, being external parties other than employees and directors of the Group, will be determined by the Board considering the potential and/or actual contribution of these individual parties to the operation and business of the Group. The Directors consider that the inclusion of such Service Providers, whom are often business associates and stakeholders other than employees and directors of the Group, as

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eligible participants is appropriate as the successful development of the Group could not be achieved by the directors and employees of the Group alone and will also depend on the cooperation of the business associates and other stakeholders of the Group, which all play an important role in the business of the Group. Given that the success of the Group requires the cooperation and contribution from such parties, it is important that the Group is able to maintain a long term and sustainable relationship with them.

As of the Latest Practicable Date, there were 1,199,044,012 Shares in issue. Assuming there is no change in the number of issued Shares during the period from the Latest Practicable Date, the maximum number of Shares issuable pursuant to the amended Post-IPO RSU Scheme and any other schemes of the Company in aggregate will be 119,904,401 Shares, being 10% of the total number of Shares in issue on the Amendment Date. None of the Directors is a trustee of the Post-IPO RSU Scheme or has any direct or indirect interest in the trustees of the Post-IPO RSU Scheme, if any.

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

The key changes entailed by the Proposed Amendments are set out below:

- (a) to revise the Eligible Participants to include (i) an Employee Participants; 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 as at the Amendment Date (excluding any Restricted Existing Shares lapsed in accordance with the 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 associate in the 12-month period up to and including the date of such grant;
- (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;

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- (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 of the Company (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 any trustee holding unvested shares, whether directly or indirectly;
- (m) to include the necessary carve-outs on the transferability of the any awards under the Post-IPO RSU Scheme; and
- (n) to include other amendments for house-keeping purposes and to better align the wording with that of the Listing Rules.

Basis of eligibility of the participants under the Post-IPO RSU Scheme

In the case of Employee Participants, assessing factors include, among others, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group.

In the case of Service Providers, assessing factors include, among others, the length of business relationship with the Group, the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties), track record in the quality of services provided to and/or cooperation with the Group and the scale of business dealing with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider.

View of independent non-executive Directors on inclusion of service provider as eligible participants

The Board (including the independent non-executive Directors) is of the view that the proposed inclusion of Service Providers of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group as Eligible Participants under the Post-IPO RSU Scheme would induce and provide further incentive to both current and future Service Providers of the Group to contribute to the development, growth and success of the Group, and is in line with the modern commercial practice with reference to other companies

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listed on the Stock Exchange to include Participants, such as Service Providers of the Group, to be given incentives to work towards enhancing the value and attaining the long-term objectives of the Company and for the benefit of the Group as a whole.

Adoption Conditions for the Post-IPO RSU Scheme

The adoption of the Proposed Amendments to the Post-IPO RSU Scheme is conditional upon the fulfillment of the following conditions:

- (a) the passing of ordinary resolutions by the Shareholders at the EGM approving (i) the Proposed Amendments to the Post-IPO RSU Scheme; (ii) the proposed adoption of the Scheme Mandate Limit; and (iii) the proposed adoption of the Service Provider Sublimit; 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 Post-IPO RSU Scheme. No Shareholder is required to abstain from voting on the relevant resolution to approve the Proposed Amendments to the Post-IPO RSU Scheme 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 Amendment Date.

Basis of the Proposed Amendments to the Post-IPO RSU Scheme

The Post-IPO RSU Scheme is established to attract and retain Employees, to reward Eligible Participants for their past contribution to the Company, to provide incentives to the Eligible Participants to further contribute to the Company and the subsidiaries and to align their interests with that of the Company and the Shareholders as a whole.

The grant of Awards to the Eligible Participants would not only align the interest of the Group with these grantees but also provide incentive and reward for (i) their participation and involvement in promoting the business of the Group, (ii) their joint and collaborative efforts in co-creating value for the Group's customers, and (iii) maintaining a good and long-term relationship with the Group. The Board believes that through the grant of Awards, such Eligible Participants will share a common goal with the Group in terms of the long-term growth and development of the Group and therefore aligns with the purpose of the Post-IPO RSU Scheme.

The vesting period for Awards under the Post-IPO RSU Scheme shall not be less than 12 months, whilst any grant of Awards to the Eligible Participants other than Service Provider are subject to a shorter vesting period under specified circumstances. In this connection, the Board and the Compensation Committee are of the view that the shorter vesting period prescribed in sub-paragraph 7(iii) of Appendix II to this circular is in line with the requirements under the

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Listing Rules, customary market practice, and allows flexibility for the Company to reward exceptional performers with an accelerated vesting schedule, or under exceptional circumstances where justified, all in which aligns with the purpose of the Post-IPO RSU Scheme.

The Board believes that it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would then be a more meaningful reward for the Participants' contribution or potential contribution. Further, by allowing the Company to grant Awards under the Post-IPO RSU Scheme at a purchase price and/or require the Participant to achieve such performance targets as may be stipulated in the offer letter on a case by case basis, the Company may be in a better position to retain such Participants to continue serving the Group whilst at the same time providing these Participants further incentive in achieving the goals of the Group, and therefore aligns with the purpose of the Post-IPO RSU Scheme.

A summary of the principal amended terms of the Post-IPO RSU Scheme other than the principal amended terms which are substantially similar to the proposed amendments of the Post-IPO ESOP to be approved at the EGM is set out in Appendix II to this circular.

7. PROPOSED ADOPTION OF THE SCHEME MANDATE LIMIT

Existing Scheme Limits

The Post-IPO ESOP utilises an advanced mandate which took effect upon Listing. Pursuant to the existing scheme mandate limit, the total number of Shares which may be issued upon exercise of Options to be granted thereunder shall not exceed 98,405,153 Shares, which represented 10% of total number of Shares in issue as at February 26, 2019 (the “**Existing Scheme Limit for Post-IPO ESOP**”).

Pursuant to the existing terms of the Post-IPO RSU Scheme, the total number of restricted share units which may be granted thereunder shall not exceed 38,010,316 Shares (the “**Existing Scheme Limit for Post-IPO RSU Scheme**”, together with the Existing Scheme Limit for Post-IPO ESOP, the “**Existing Scheme Limits**”).

Utilization of Existing Scheme Limits

As at the Latest Practicable Date, the total number of shares available for issue and grant under the Post-IPO RSU Scheme is 13,367,596, which accounts for approximately 35.17% of the maximum scheme limit of 38,010,316 under the Post-IPO RSU Scheme.

The Post-IPO ESOP utilises an advanced mandate which took effect upon Listing. As at the Latest Practicable Date, the total number of shares available for issue and grant under the Post-IPO ESOP was 12,045,352, which accounted for approximately 12.24% of the maximum scheme limit of 98,405,153 under the Post-IPO ESOP. For the avoidance of doubt, the aforesaid 12,045,352 Options has already taken into account the impact of 28,000,000 Options under the

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Conditional Grant to Dr. Yang referred to in sub-section headed “4. *PROPOSED GRANT OF 28,000,000 SHARE OPTIONS UNDER THE POST-IPO ESOP TO DR. YANG*” in this Letter from the Board but has not taken into account impact of the re-grant of 14,883,700 Options to the Existing Grantees as set forth in “3. *PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES UNDER THE POST-IPO ESOP*” in this Letter from the Board.

Accordingly, in order to provide the necessary headroom for the proposed re-grant of an aggregate of 14,883,700 Options to the Existing Grantees as set forth in “3. *PROPOSED RE-GRANTS OF SHARE OPTIONS TO EXISTING GRANTEEES UNDER THE POST-IPO ESOP*” to this circular, the Board considers that it is in the interest of the Company to replace the Existing Scheme Limits with its proposed adoption of the Scheme Mandate Limit, such that the Company may be provided with greater flexibility to grant the appropriate and meaningful number of Options to the Existing Grantees under the Pre-IPO ESOP and also share options and/or awards to other relevant Eligible Participants under the Share Incentive Schemes for the purpose of rewarding and motivating such participants to contribute further to the success of the Group.

In light of the above, the Board has resolved to propose the adoption of the Scheme Mandate Limit, being a scheme mandate limit not exceeding 10% of the total number of Shares in issue to all Share Incentive Schemes (which includes new Shares or restricted share units or restricted shares of the Company and options over new Shares made pursuant to the Share Incentive Schemes and other incentive schemes adopted by the Company from time to time). The said Scheme Mandate Limit shall be 119,904,401 Shares, on the basis that there are a total of 1,199,044,012 Shares in issue at the Latest Practicable Date and assuming that no other Shares are issued or repurchased by the Company prior to the date of the EGM.

8. PROPOSED ADOPTION OF THE SERVICE PROVIDER SUBLIMIT

As the scope of Eligible Participants shall be expanded to include Service Providers, the Board considers that it is appropriate to adopt a “service provider sublimit” within the Scheme Mandate Limit in accordance with Rule 17.03A(1) of the Listing Rules.

Accordingly, the total number of awards and/or share options which may be granted under the Share Incentive Schemes and any other share schemes of the Company to the Service Providers from time to time shall not exceed 1% of the total number of Shares in issue on the Amendment Date. Thus, the Service Provider Sublimit in respect of the Share Incentive Schemes shall be 11,990,440 Shares, being 1% of the total number of Shares in issue at the Latest Practicable Date assuming that no new Shares are issued or repurchased by the Company prior to the EGM.

The basis of determination of the Service Provider Sublimit included the potential dilution effect on the Shares arising from grants to the Service Providers, the actual or expected increase in the Group’s revenue or profits which shall be attributable to the Service Providers and the extent of use of the Service Provider in the Group’s business. The Group also values long-standing relationships with its Service Providers such as suppliers, customers, medical

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experts, and other business associates, who are key to the Group's success. The Group believes that, through engaging, collaborating, and cultivating strong relationships with the Service Providers, the Group can strive to achieving corporate sustainability, delivering high quality products to its potential customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

In determining the Service Provider Sublimit, the Directors consider that it is important to ensure that each share schemes of the Company will be attractive and is able to provide sufficient incentives to Service Providers who are able to contribute to the sales and R&D of the Group, all of which being core functions on which the Group relies in its ordinary and usual course of business.

Taking into account (i) the hiring practice, organizational structures and business models of the Group; (ii) the benefit to and needs of the Group to provide long-term equity incentives to maintain the recurring and continuing contributions of the Service Providers in relation to day-to-day operations and core business functions of the Group; (iii) the minimal potential dilution to the shareholding of public Shareholders following the exercise of the Options and/or Awards to be granted to Service Providers under the Service Provider Sublimit; and (iv) the fact that the individual limit under Rule 17.03D(1) of the Listing Rules is also 1%, that there is no other share schemes involving grant of options over new Shares of the Company, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable. The Service Provider Sublimit is subject to separate approval by the Shareholders at the EGM.

9. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, March 2, 2023 to Tuesday, March 7, 2023, both days inclusive, during which period no share transfers can be registered.

In order to be eligible for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, March 1, 2023.

10. NOTICE OF THE EGM

The notice of the EGM is set out on pages 65 to 67 of this circular.

11. FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cstonepharma.com). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company in accordance with the

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instructions printed thereon not less than 48 hours before the time fixed for the holding of the EGM (i.e. by no later than 9:00 a.m. on Sunday, March 5, 2023). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM if they so wish and in such event, the form of proxy shall be deemed to be revoked.

12. VOTING BY POLL

Any vote of shareholders at a general meeting must be taken by poll in accordance with the Listing Rules and the Articles of Association. The chairman of the EGM shall therefore demand voting on all resolutions set out in the notice of EGM be taken by way of poll pursuant to Article 13.6 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each share registered in his/her name in the register. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

As at the Latest Practicable Date, to the extent the Company is aware and having made all reasonable enquires, save for Dr. Yang and his respective associate(s), no Shareholder has to abstain from voting on any of the proposed resolutions. The results of the poll will be published on the websites of the Stock Exchange and the Company after conclusion of the EGM in the manner prescribed under the Listing Rules.

13. DOCUMENTS ON DISPLAY

Copies of the rules governing each of the Share Incentive Schemes, as amended by the respective Proposed Amendments, will be published on the websites of Stock Exchange and the Company for display for a period of not less than 14 days before the date of the EGM. In addition, such rules governing each of the Share Incentive Schemes, as amended by the respective Proposed Amendments, will be made available for inspection at the EGM.

14. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company for, inter alia, the Proposed Amendments to the Share Incentive Schemes. This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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15. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the proposed resolutions as set out in the notice of the EGM (in relation to, inter alia, (1) Conditional Grant to Dr. Yang and the proposed re-grant of 4,340,000 Options to Dr. Yang, an Existing Grantee, under the Post-IPO ESOP; (2) the Proposed Amendments to the Share Incentive Schemes; and (3) the proposed adoption of the Scheme Mandate Limit and the Service Provider Sublimit) to be in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM.

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

The following is a summary of the principal amended terms of the Post-IPO ESOP to be approved at the EGM. It does not form part of, nor is it intended to be part of the rules of the Post-IPO ESOP. The Directors reserve the right at any time prior to the EGM to make such amendments to the Post-IPO ESOP as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.

1. PURPOSE

The purpose of the Post-IPO ESOP is to attract and retain employees of the Group and to reward our eligible employees, our Directors and other selected participants for their past contribution to the Group. Our Directors consider the Post-IPO ESOP will provide incentives to the employees of the Group to further contribute to the Company and the group companies and to align their interests with that of the Company and the Shareholders as a whole. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case-by-case basis as provided in the relevant offer letter, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors in accordance with the applicable laws and regulations, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

2. BASIS OF ELIGIBILITY OF THE PARTICIPANTS

The Board resolved to revise the definition of “eligible participants” by only including:

- (i) an Employee Participant;
- (ii) a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group; and
- (iii) 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.

In determining the basis of eligibility of each Eligible Participant, the Board would mainly take into account of the experience of the Eligible Participant on the Group’s business, the length of service of the Eligible Participant with the Group (if the Eligible Participant is an employee or a director of any member of the Group), the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Eligible Participant has established with the Group (if the Eligible Participant is a Service Provider of any member of the Group), and the amount of support, assistance, guidance, advice, efforts and contributions the Eligible Participant has exerted and given towards the success of the Group and/or the amount of potential support, assistances, guidance, advice, efforts and contributions the Eligible Participant is likely to be able to give or make towards the success of the Group in the future.

The basis of eligibility of any or the Service Providers to the grant of any options shall be determined by the Company from time to time on the basis of their contribution to the development and growth of the Group, the experience of the Eligible Participant on the Group's business, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Eligible Participant has established with the Group, and the amount of support, assistance, guidance, advice, efforts and contributions the Eligible Participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Eligible Participant is likely to be able to give or make towards the success of the Group in the future.

For Employee Participants, assessing factors include: the individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the individual contribution or potential contribution to the development and growth of the Group.

For each category of Service Providers, assessing factors include: the individual performance of relevant Service Providers, the length of business relationship with the Group, the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties), track record in the quality of services provided to and/or cooperation with the Group and the scale of business dealing with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider.

3. ADMINISTRATION

Subject to the Listing Rules, the Post-IPO ESOP shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. Notwithstanding the foregoing, the Board may delegate any of its powers, authorities and discretions in relation to the Post-IPO ESOP to any committee, and any such delegation may be made on such terms and subject to such conditions as the Board may think fit and the Board may at any time remove any person so appointed and may annul or vary any such delegation.

4. DURATION

The Post-IPO ESOP shall be valid and effective for the period of ten (10) years commencing on the Adoption Date after which period no Options may be exercised by a grantee under the Post-IPO ESOP and no further Options will be granted, but the provisions of the Post-IPO ESOP shall in all other respects remain in full force and effect and the grantees may exercise the Options in accordance with the terms upon which the Options are granted. The Board shall determine the time or times at which an Option becomes vested and exercisable in whole or in part.

5. OFFER AND GRANT OF OPTIONS

A Grantee is not required to pay for the grant of any Option.

6. VESTING SCHEDULE AND PERFORMANCE TARGETS OF OPTIONS

- (A) Save for the circumstances prescribed in paragraph 6(B), an Option must be held by the Grantee for at least 12 months before the Option can be exercised.
- (B) A shorter vesting period may be granted to an Eligible Participant other than Service Provider at the discretion of the Board and/or the Compensation Committee as deemed appropriate at the sole discretion of the Board and/or the Compensation Committee if:
- (i) the Options granted to the Eligible Participant are grants of “make-whole” Options to the Eligible Participants upon joining the Group to replace the share awards they forfeited when leaving the previous employer, such that the vesting period of such Options granted under the Post-IPO ESOP shall apportion rateably based on the vesting period applicable to such Eligible Participant’s unvested outstanding share awards granted by his or her previous employer;
 - (ii) the unvested Options granted to the Eligible Participant may vest with the Eligible Participant or the legal personal representatives of the Eligible Participant (in the case of death) within a period of 12 months from the date of termination of the employment of the Eligible Participant if such termination is due to disability or death of the Eligible Participant, provided that the Eligible Participant had been continuously an employee of any member of the Group from the Grant Date until the date of termination of employment of such Eligible Participant;
 - (iii) in the event that it is not practicable for the Eligible Participant to be granted the Award in a planned grant period due to legal or regulatory restrictions, such that the Options which should have been granted earlier are granted together with a subsequent batch of Options to the remaining Eligible Participants during a calendar year, the vesting period for the Options underlying the delayed grant can be shorter than 12 months from the date of grant to reflect the time from which such Options would have been granted;
 - (iv) Grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of 12 months;
 - (v) Cancellation of Option(s) and subsequent “re-grant” of new Option(s) to the same Eligible Participant(s); or
 - (vi) Grants with performance-based vesting conditions in lieu of time-based vesting criteria.

- (C) Vesting of Options shall be subject to the performance criteria to be satisfied by the Eligible Participant (excluding any independent non-executive Director from time to time) as determined by the Board and/or the Compensation Committee from time to time. The performance criteria may comprise a mixture of attaining a satisfactory key performance indicators components (including, without limitation, the business performance and financial performance of the Group and/or department by reference to annual corporate targets and/or goals attained, market capitalization milestones and individual performance based on the periodic performance assessment and annual review results) which may vary among the Eligible Participants.

7. EXERCISE OF OPTIONS

- (A) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option, unless a waiver is granted by the Stock Exchange. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any outstanding Options or part thereof of such Grantee without incurring any liability on the part of the Company.
- (B) The subscription price per Share under the Post-IPO ESOP will be a price determined by the Directors, but shall not be less than the higher of (a) the closing price of a Share on the Grant Date, which must be a Business Day, on the principal stock market or exchange on which the Shares are quoted or traded, and (b) the average closing price of a Share for the five trading days immediately preceding the Grant Date, on the principal stock market or exchange on which the Shares are quoted or traded (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the public offering shall be used as the closing price for any Business Day falling within the period before the listing).
- (C) The Option Shares will be subject to the provisions of the Memorandum and Articles and will rank *pari passu* with the fully paid Shares in issue as from the date of exercise of the Option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Option, provided always that when the date of exercise of the Option falls on a date upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first Business Day on which the register of members of the Company is re-opened. A Share issued upon

the exercise of an Option shall not carry voting rights until the registration of the Grantee (or such other person as may succeed to the Grantees' title by operation of the applicable laws and in compliance with the terms of the Post-IPO ESOP) as the holder thereof.

- (D) The minimum period, if any, for which an Option must be held before it can be exercised shall be stated in the Offer Letter, which in any event must not be more than ten (10) years from the date of the grant of the Option.

8. LAPSE OF OPTIONS

- (A) An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the date when any circumstance in violation of paragraph 7(A) occurs; or
- (iii) subject to paragraph (B) to (F), on an Grantee ceasing to be an Eligible Participant.

- (B) Lapse for Death or Illness. Subject to paragraph 8(C), if an Grantee ceases to be an Eligible Participant by reason of:

- (i) the Grantee's death; or
- (ii) the Grantee's serious illness or injury which, in the opinion of the Board, renders the Grantee concerned unfit to perform the duties of his or her employment and which in the normal course would render the Grantee unfit to continue performing the duties under his or her Contract provided such illness or injury is not self-inflicted or as a result of alcohol or drug abuse;

then, subject to the paragraph 7(B), any unvested Option will immediately lapse and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Options until the later of: (i) 90 days after the date when the Options become exercisable as set for in paragraph 7(B), or (ii) six (6) months after the date of cessation of employment or directorship, or such longer period as the Board may determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall lapse.

- (C) Lapse on Termination for Cause. If the Board determines that any Grantee ceasing to be an employee by any of the following reason ("Causes"), (i) any act of grave misconduct or willful default or willful neglect in the discharge of duties of the Grantee with the Group; (ii) without prejudice to the generality of (i) above, being proven to have carried out any fraudulent activity or have fraudulently failed to

carry out any 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 such Grantee's 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 the Grantee shall immediately lapse (unless the Board resolves otherwise in its absolute discretion). If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

- (D) Lapse on Cessation for Other Reason. If an Grantee ceases to be an Eligible Participant for any reason other than those set up in paragraph (B) or 8(C), then, subject to paragraph 7(B), any unvested Option will immediately lapse and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Options until later of: (i) 90 days after the date when the Options become exercisable as set for in paragraph 7(B), or (ii) 30 days after the date of cessation of employment or directorship, or such longer period as the Board may otherwise determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall immediately lapse.
- (E) Lapse on a General Offer or Corporate Transaction. An unexercised Option may lapse as provided in paragraphs 8(B) or 8(C) hereof in the case of a General Offer (as defined below) or a Corporate Transaction.
- (F) Lapse on Winding-up. If notice is duly given of a resolution for the voluntary winding-up of the Company, vested Options may, subject to paragraph 7(B), be exercised prior to the date of the resolution. The Grantee shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolutions.

9. SCHEME LIMITS

- (A) The Company shall not make any further grant of Options which will result in the aggregate number of Shares underlying all grants of (i) new Shares or restricted share units or restricted shares of the Company; or (ii) options over new Shares made pursuant to the Post-IPO ESOP and other incentive schemes adopted by the Company from time to time to exceed 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval. The Company may seek separate approval by its Shareholders in general meeting for granting any Options under the Post-IPO ESOP beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company. In such case, the Company will send a circular to the Shareholders containing the name of each specified participant who may be granted the Options, the number and terms of the Options to be granted to each participant and the purpose of granting Options to the Eligible Participants with an explanation as to how the terms of the Options serve such purpose. The number and terms of Options to be granted to such participant and the purpose of granting Options to the specified participants with explanation must be fixed before such Shareholders' approval is sought. Any Options lapsed in accordance with the terms of the Post-IPO ESOP will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit thereunder).
- (B) Save as prescribed in paragraph 9(A) or as otherwise restricted by the Listing Rules, within the Scheme Mandate Limit, the total number of Options which may be granted under the Post-IPO ESOP and grants made under other share schemes of the Company to Service Providers shall not exceed 1% of the total number of Shares in issue on the Amendment Date, being 11,990,440 Shares.
- (C) In the event the Company undertakes a sub-division or consolidation of the shares in the share capital of the Company, corresponding changes will be made to the aggregate number of Shares underlying all grants made pursuant to the Post-IPO ESOP and other incentive schemes adopted by the Company, such that the Scheme Mandate Limit or the Service Provider Sublimit, each as a percentage of the total number of issued Shares as at the date immediately before and after such sub-division or share consolidation remains the same, rounded to the nearest whole share.
- (D) Save as prescribed in paragraph 9(A) or as otherwise restricted by the Listing Rules, for any 12-month period up to and including the date of grant of Options, the aggregate number of Shares issued and to be issued in respect of all Options granted to any Eligible Participant (excluding any Options lapsed in accordance with the Post-IPO ESOP) under the Post-IPO ESOP and any grants made under any other scheme(s) of the Company shall not exceed 1% of the total number of the Shares in issue at the relevant time without Shareholders' approval. Any further grant of

Options must be separately approved by the Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if the Eligible Participant is a connected person) abstaining from voting. The Company must then send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted and Options previously granted to such Eligible Participant and the information required under the Listing Rules. The number and terms of the Options to be granted to such Participant must be fixed before Shareholders' approval.

- (E) The Board may at any time at its absolute discretion cancel any Option granted but not exercised. If the Company cancels Options granted to an Eligible Participant and makes a new grant to the same Eligible Participant, such new grant may only be made under the Post-IPO ESOP with available Scheme Mandate Limit approved by the Shareholders and granted in compliance with the terms of the Post-IPO ESOP, the Listing Rules and the applicable laws. The Options so cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit thereunder).

- (F) Where any grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, would result in the total number of Shares issued and to be issued in respect of all Options granted and to be granted under the Post-IPO ESOP and any grants made under any other scheme(s) of the Company (excluding any Options lapsed in accordance with the terms of the Post-IPO ESOP) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of Options must be approved by the Shareholders in general meeting and shall comply with the requirements of Rule 17.04 of the Listing Rules. The Company must send a circular to the Shareholders containing the information required under Rule 17.04(5) of the Listing Rules. In such circumstances, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and the grantee, his or her close associates and all core connected persons (as defined under the Listing Rules) of the Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such Restricted New Shares must be taken on a poll.

10. REFRESHMENT OF THE SCHEME MANDATE LIMIT

- (A) The Company may seek the approval of its Shareholders in general meeting to refresh the Scheme Mandate Limit (and the Service Provider Sublimit thereunder) after three years from the date of Shareholders' approval for the last refreshment (or the Amendment Date), such that the aggregate number of Shares underlying all grants made pursuant to the Post-IPO ESOP and other incentive schemes adopted by the Company shall not exceed 10% of the total number of issued Shares as of the date of approval of the refreshed limit, and the circular to the Shareholders will contain the number of Options that were already granted under the existing Scheme Mandate Limit and the reasons for the refreshment. Options previously granted under the Post-IPO ESOP or any other incentive scheme, including Options outstanding, cancelled or lapsed in accordance with the relevant incentive scheme, shall not be counted for the purpose of calculating the limit to be refreshed.
- (B) In the event that the Scheme Mandate Limit (and the Service Provider Sublimit thereunder) is refreshed within three years from the date of Shareholders' approval for the last refreshment (or the adoption of the Post-IPO ESOP), the Company may seek the approval of its Shareholders in general meeting, provided that the controlling shareholders of the Company and their associates (or if there is no controlling shareholder, Director (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favor of such resolutions at the general meeting, and the Company must comply with the relevant requirements under the Listing Rules.

11. REORGANIZATION OF CAPITAL STRUCTURE AND OTHER CORPORATE EVENTS

- (A) In the event of any alteration in the capital structure of the Company whilst any Option remains outstanding, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any Subsidiary or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:
- i. the number or nominal amount of Shares subject to the Options so far as unexercised or unsettled;

ii. the subscription price of any Option;

or any combination thereof, as an independent financial adviser or the auditors shall confirm to the Board in writing, either generally or as regard any particular grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital, rounded to the nearest whole share, as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange. The capacity of the independent financial adviser or Auditors (as the case may be) in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the independent financial adviser or auditors (as the case may be) shall be borne by the Company.

The method of adjustment of number of Option so far as unexercised is set out as below:

Capitalisation issue

$$Q = Q0 \times (1 + n)$$

Where: “Q0” represents the number of Option before the adjustment; “n” represents the ratio of the capitalisation issue; “Q” represents the number of Option after the adjustment.

Rights issue

$$Q = Q0 \times P1 \times (1 + n) \div (P1 + P2 \times n)$$

Where: “Q0” represents the number of Option before the adjustment; “P1” represents the closing price as at the record date; “P2” represents the subscription price of the rights issue; “n” represents the ratio of allotment; “Q” represents the number of Option after the adjustment.

Consolidation of Shares or share subdivision or reduction of the share capital

$$Q = Q0 \times n$$

Where: “Q0” represents the number of Option before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “Q” represents the number of Option after the adjustment.

The method of adjustment of the Option subscription price is set out as below:

Capitalisation issue

$$P = P0 \div (1 + n)$$

Where: “P0” represents the Option subscription price before the adjustment; “n” represents the ratio of the capitalization issue; “P” represents the Option subscription price after the adjustment.

Rights issue

$$P = P0 \times (P1 + P2 \times n) \div (P1 \times (1 + n))$$

Where: “P0” represents the Option subscription price before the adjustment; “P1” represents the closing price as at the record date; “P2” represents the subscription price; “n” represents the ratio of allotment; “P” represents the Option subscription price after the adjustment.

Consolidation of Shares or share subdivision or reduction of the share capital

$$P = P0 \div n$$

Where: “P0” represents the Option subscription price before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “P” represents the Option subscription price after the adjustment.

12. ALTERATION

Any alterations to the terms and conditions of the Post-IPO ESOP which are of a material nature or any alterations to the provisions of the Post-IPO ESOP relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of participant must be approved by Shareholders in general meeting. Any change to the terms of any Options granted to a participant shall be approved by the Board, the Compensation Committee, the independent non-executive directors and/or the Shareholders (as the case maybe) if the initial grant of options was approved by the board, the Compensation Committee, the independent non-executive directors and/or the Shareholders (as the case maybe), except where the alterations take effect automatically under the existing terms of the Post-IPO ESOP. The amended terms of the Post-IPO ESOP or the Options must still comply with the relevant requirements under the Listing Rules and applicable laws. Any change to the authority of the Board to alter the terms of the Post-IPO ESOP must be approved by Shareholders in general meeting.

13. TERMINATION

The Board may at any time terminate the operation of the Post-IPO ESOP and in such event no further Options will be offered but in all other respects the provisions of the Post-IPO ESOP shall remain in full force and effect. All Options granted prior to such termination shall continue to be valid and exercisable despite of the termination in accordance with the terms of the Post-IPO ESOP.

The following is a summary of the principal terms of the Post-IPO RSU Scheme. It does not form part of, nor is it intended to be part of the rules of the Post-IPO RSU Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments to the Post-IPO RSU Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.

1. PURPOSE AND OBJECTIVES

The purposes and the objectives of the Post-IPO RSU Scheme are to (i) recognise the contributions by Selected Participants; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the Selected Participants to maximise the value of the Company for the benefits of both the Selected Participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants directly to the shareholders of the Company through ownership of Shares.

2. PARTICIPANTS AND CRITERIA FOR DETERMINING SELECTED PARTICIPANTS

The Board and/or the Compensation Committee may, in its absolute and sole discretion, offer to grant Restricted Shares as the Board and/or the Compensation Committee may determine to an individual or a corporate entity (as the case may be), being any of the following: (i) any employee (whether full-time or part-time) and any persons who are granted Awards under the Post-IPO RSU Scheme as an inducement to enter into employment contracts with any member of the Group; (ii) a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group; and (iii) a Service Provider, being 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).

In determining the number of Restricted Shares to be granted to a Selected Participant, the Board may take into consideration matters including, but without limitation to, (i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group; (ii) the rank and performance of the relevant Selected Participant; (iii) the general financial condition of the Group; (iv) the Group's overall business objectives and future development plan; and (v) any other matter which the Board considers relevant.

In the case of Employee Participants, assessing factors include, among others, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group.

In the case of Service Providers, assessing factors include, among others, the length of business relationship with the Group, the materiality and nature of the business relationship with the Group (whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties), track record in the quality of services provided to and/or cooperation with the Group and the scale of business dealing with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the relevant Service Provider.

3. SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

- (i) The Company shall not make any further grant of Restricted New Share Award which will result in the aggregate number of Shares underlying all grants of (i) new Shares of the Company; or (ii) options over new Shares made pursuant to the Post-IPO RSU Scheme and other incentive schemes adopted by the Company to exceed 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval. The Company may seek separate approval by its Shareholders in general meeting for granting any Restricted New Share Awards under the Post-IPO RSU Scheme beyond the Scheme Mandate Limit, provided that the Restricted New Share Awards in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company. In such case, the Company will send a circular to the Shareholders containing the name of each specified participant who may be granted the Restricted New Share Awards, the number and terms of the Restricted New Share Awards to be granted to each participant and the purpose of granting Restricted New Share Awards to the Selected Participants with an explanation as to how the terms of the Restricted New Share Awards serve such purpose. Any Restricted New Share Awards lapsed in accordance with the terms of the Post-IPO RSU Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit thereunder).

- (ii) In the event the Company undertakes a sub-division or consolidation of the shares in the share capital of the Company, corresponding changes will be made to the aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme and other incentive schemes adopted by the Company, such that the Scheme Mandate Limit or the Service Provider Sublimit, each as a percentage of the total number of issued Shares as at the date immediately before and after such sub-division or share consolidation remains the same, rounded to the nearest whole share.

- (iii) Save as prescribed in paragraph 3(i) above or as otherwise restricted by the Listing Rules, within the Scheme Mandate Limit, the total number of Restricted New Shares which may be granted under the Post-IPO RSU Scheme and other share schemes of the Company to Service Providers shall not exceed 1% of the total number of Shares in issue on the Amendment Date, being 11,990,440 Shares.
- (iv) The Company may seek the approval of its Shareholders in general meeting to refresh the Scheme Mandate Limit (and the Service Provider Sublimit thereunder) after three years from the date of Shareholders' approval for the last refreshment (or the adoption of the Post-IPO RSU Scheme), such that the aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme and other incentive schemes adopted by the Company shall not exceed 10% of the total number of issued Shares as of the date of approval of the refreshed limit, and the circular to the Shareholders will contain the number of Awards that were already granted under the existing Scheme Mandate Limit and the reasons for the refreshment. Awards previously granted under the Post-IPO RSU Scheme or any other incentive scheme, including Awards outstanding, cancelled or lapsed in accordance with the relevant incentive scheme, shall not be counted for the purpose of calculating the limit to be refreshed.
- (v) The maximum number of grant of Restricted Existing Shares under this Scheme is 5% (excluding any Restricted Existing Shares lapsed in accordance with term of the Post-IPO RSU Scheme).

4. INDIVIDUAL LIMITS

- (i) The approval of independent non-executive Directors (excluding any independent non-executive Directors who is a proposed Selected Participant of the Restricted New Share(s)) is required for each grant of Restricted Shares to a Director, chief executive, or substantial shareholder of the Company or any of their respective associates.
- (ii) Where any grant of Restricted New Shares to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the total number of Shares issued and to be issued in respect of all Restricted New Shares granted (excluding any Restricted Existing Shares lapsed in accordance with the terms of the Post-IPO RSU Scheme) under the Post-IPO RSU Scheme and grants of awards (excluding option grants) under any other incentive scheme(s) of the Company to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of Restricted New Shares must

be approved by Shareholders in general meeting and shall comply with the requirements of Rule 17.04 of the Listing Rules. The Company must send a circular to the Shareholders containing the information required under Rule 17.04(5) of the Listing Rules.

- (iii) Save as prescribed in paragraph 3 (i) or as otherwise restricted by the Listing Rules, for any 12-month period up to and including the date of grant of Awards, the aggregate number of Shares issued and to be issued in respect of all Restricted New Shares granted to any Selected Participant and all grants made under any other incentive scheme(s) of the Company (excluding any Awards lapsed in accordance with the Post-IPO RSU Scheme) shall not exceed 1% of the total number of the Shares in issue at the relevant time without Shareholders' approval. Any further grant of Awards must be separately approved by the Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if the Selected Participant is a connected person) abstaining from voting. The Company must then send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participants, the number and terms of the Awards to be granted and Awards previously granted to such Eligible Participant and the information required under the Listing Rules. The number and terms of the Awards to be granted to such Eligible Participant must be fixed before Shareholders' approval. For the avoidance of doubt, references made to "Awards" in this sub-paragraph shall include both Restricted Existing Shares and Restricted New Shares.
- (iv) Where any grant of Awards to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, would result in the total number of Shares issued and to be issued in respect of all Awards or options granted and to be granted (excluding any Awards or options lapsed in accordance with the terms of the scheme(s)) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of Awards must be approved by the Shareholders in general meeting and shall comply with the requirements of Rule 17.04 of the Listing Rules. The Company must send a circular to the Shareholders containing the information required under Rule 17.04(5) of the Listing Rules.

5. DURATION AND TERMINATION

Without prejudicing the subsisting rights of any Selected Participant, subject to any early termination as may be determined by the Board, the Post-IPO RSU Scheme remains valid and effective from the Adoption Date until the tenth (10th) anniversary of the Adoption Date (22 March 2029), after which period no further Awards will be granted, but the provisions of the Post-IPO RSU Scheme will in all other respects remain in full force and effect and Awards that are granted from the Adoption Date until the tenth (10th) anniversary of the Adoption Date may continue to be exercisable in accordance with their terms of issue.

6. GRANT OF RESTRICTED SHARES

- (i) The Company or any subsidiary may be entitled to withhold, and any Selected Participant may be obliged to pay, the amount of any tax and/or social security contributions attributable to or payable in connection with the grant of the Restricted Shares and any excluded expenses.
- (ii) The Board is entitled to impose any conditions (including without limitation, a period of continued service within the Group after the Grant Date), as it deems appropriate with respect to the entitlement of the Selected Participant to the Award and the Compensation Committee will inform such Selected Participant the relevant conditions and the number of the Grant Shares. An Award certificate setting out, among other things, the number of the Grant Shares, the terms, conditions, restrictions, vesting schedule and performance conditions of such Award, will be given to the Selected Participant for each Award.
- (iii) No Award may be made by the Board to any Selected Participant:
 - (1) where the Company or any Selected Participant is in possession of information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under part XIVA of the SFO, until such inside information has been published on the websites of the Hong Kong Stock Exchange and the Company;
 - (2) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until the Business Day after such inside information has been published;
 - (3) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (i) the date of a meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or
 - (4) in any other circumstances where dealings by Selected Participant are prohibited under the Listing Rules, SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted,

for the avoidance of doubt, no Award that is to be satisfied by issuance of new Shares of the Company may be made until 6 months after the initial listing date of the Shares of the Company on the Hong Kong Stock Exchange in compliance with Rule 10.08 of the Listing Rules.

- (iv) The value of each Grant Share shall equal to the closing price of each Share in the listed issued capital of the Company on the relevant Vesting Date.

7. VESTING

- (i) Vesting of Awards shall be subject to the performance criteria to be satisfied by the Selected Participant as determined by the Board and/or the Compensation Committee from time to time. The performance criteria may comprise a mixture of attaining a satisfactory key performance indicators components (including, without limitation, the business performance and financial performance of the Group and/or department by reference to annual corporate targets and/or goals attained, market capitalization milestones and individual performance based on the periodic performance assessment and annual review results) which may vary among the Selected Participants.
- (ii) Save for the circumstances prescribed under paragraph 7(iii), the vesting period of the Restricted New Shares granted shall not be less than 12 months.
- (iii) A shorter vesting period may be granted to a Selected Participant other than Service Provider at the discretion of the Board and/or the Compensation Committee as deemed appropriate at the sole discretion of the Board and/or the Compensation Committee if:
 - A. the Awards granted to the Selected Participant are grants of “make-whole” Awards to the Selected Participants upon joining the Group to replace the share awards they forfeited when leaving the previous employer, such that the vesting period of such Awards granted under the Post-IPO RSU Scheme shall apportion rateably based on the vesting period applicable to such Selected Participant’s unvested outstanding share awards granted by his or her previous employer;
 - B. the unvested Awards granted to the Selected Participant may vest with the Selected Participant or the legal personal representatives of the Selected Participant (in the case of death) within a period of 12 months from the date of termination of the employment of the Selected Participant if such termination is due to disability or death of the Selected Participant, provided that the Selected Participant had been continuously an employee of any member of the Group from the Grant Date until the date of termination of employment of such Selected Participant;

- C. in the event that it is not practicable for the Selected Participant to be granted the Awards in a planned grant period due to legal or regulatory restrictions, such that the Awards which should have been granted earlier are granted together with a subsequent batch of Awards to the remaining Selected Participants during a calendar year, the vesting period for the Awards underlying the delayed grant can be shorter than 12 months from the date of grant to reflect the time from which such Awards would have been granted;
- D. Grants with a mixed or accelerated vesting schedule such as where the Restricted New Shares may vest evenly over a period of 12 months;
- E. Cancellation of Award(s) and subsequent “re-grant” of new Awards to the same Selected Participant(s); or
- F. Grants with performance-based vesting conditions in lieu of time-based vesting criteria.

8. LAPSE OF AWARDS

In the event that prior to or on the Vesting Date in respect of a Selected Participant, (i) the relevant Selected Participant ceases to be an Eligible Participant, or (ii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the Award will automatically lapse forthwith and the Restricted Shares will not vest on the relevant Vesting Date and, where the purchase of the Restricted Shares on market by the Trustee has not yet been effected and/or completed, the relevant Reference Amount so paid by the Company will be taken out of the Account and returned to the Company immediately. In the event that the purchase of the Restricted Existing Shares on the secondary market by the Trustee has been completed, the Shares attributable to the lapsed Award shall be held by the Trustee as returned Shares. In such case, the relevant returned shares will not be counted for the purpose of the maximum number of grants of Restricted Existing Shares. For the avoidance of doubt, the returned shares may be used for satisfying any further grant of Award as determined by the Board from time to time.

9. RESTRICTION AND LIMITATIONS

Any Award is personal to the Selected Participant to whom it is made and is not assignable and no Selected Participant may in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any other person over or in relation to either the Awarded Amount, Reference Amount or the Restricted Shares referable to him pursuant to such Award or the Unacceptable Shares, Additional Shares or any of the Unvested Shares under the Post-IPO RSU Scheme, unless a waiver is granted by the Hong Kong Stock Exchange. Where the Selected Participant is a company, any change of its

controlling shareholder or any substantial change in its management (which is to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Selected Participant shall entitle the Company to cancel any outstanding Awards or part thereof of such Selected Participant without incurring any liability on the part of the Company.

A Selected Participant may not have any interest or rights (including the right to receive dividend) in the Restricted Shares which are referable to him until such Restricted Shares have been vested as Shares. The Award will be subject to the provisions of the Memorandum and Articles and will rank *pari passu* with the fully paid Shares in issue as from the vesting date of the Award and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the vesting date of the Award other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the vesting date of the Award, provided always that when the vesting date of the Award falls on a date upon which the register of members of the Company is closed then the vesting of the Award shall become effective on the first Business Day on which the register of members of the Company is re-opened.

The Trustee shall abstain from voting or exercising any voting rights in respect of any Shares held, whether directly or indirectly, under the Trust or as nominee (including but not limited to Grant Shares, Unaccepted Shares, Additional Shares, Unvested Shares, any bonus Shares and scrip Shares) on matters that require approval of the Shareholders under the Listing Rules, unless otherwise required by applicable laws to vote in accordance with the beneficial owner's direction and such a direction is given.

10. CLAWBACK

If the Board, at its absolute discretion, determines that any Grantee ceases to be an Eligible Person before the Vesting Date by any of the following reasons, the Award will automatically lapse forthwith and the Restricted Shares will not vest on the relevant Vesting Date:

- (1) the Selected Participant's service or employment with the Group has been terminated by any member of the Group for cause. For the purposes of this paragraph, "cause" means: (i) dishonesty or serious misconduct, whether or not in connection with his or her employment; willful disobedience or non-compliance with the terms of his employment, agency or consultancy contract with any member of the Group or any lawful orders or instructions given by any member of the Group as the case may be; (ii) incompetence or negligence in the performance of his duties; or (iii) doing anything in the conclusive opinion of the Board adversely affects his ability to perform his duties properly or bring the Company or the Group into disrepute.

- (2) the Selected Participant has been summarily dismissed by any member of the Group in so far as such Selected Participant is an Employee Participant;
- (3) the Selected Participant has been convicted for any criminal offence involving his integrity or honesty;
- (4) the Selected Participant has been charged, convicted or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time; or
- (5) the Selected Participant retires by agreement with a member of the Group at any time prior to or on the Vesting Date.

Unless the Board decides otherwise at its sole discretion, if the Selected Participant's employment or service with the Group is terminated for any reason other than for the reasons provided for under this paragraph (including by reason of resignation, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than those set out hereunder), any unvested Restricted Shares in respect of such Selected Participant will automatically lapse with effect from the date on which the Selected Participant's employment or service is terminated.

If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

11. CANCELLATION OF RESTRICTED SHARES

The Board may at any time cancel Restricted New Shares previously granted to but not yet vested. The Restricted New Shares cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

If the Company cancels Restricted New Shares granted to a Selected Participant and makes a new grant to the same Selected Participant, such new grant may only be made under the Post-IPO RSU Scheme with available Scheme Mandate Limit approved by the Shareholders and granted in compliance with the terms of the Post-IPO RSU Scheme, the Listing Rules and the applicable laws. The Restricted New Shares so cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit thereunder).

12. ALTERATION OF THE POST-IPO RSU SCHEME

Any alterations to the terms and conditions of the Post-IPO RSU Scheme which are of a material nature or 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 to the advantage of participant must be approved by Shareholders in general meeting. Any change to the terms of any awards granted to a participant shall be approved by the Board, the Compensation Committee, the independent non-executive Directors and/or the Shareholders (as the case maybe) if the initial grant of Awards was approved by the Board, the Compensation Committee, the independent non-executive Directors and/or the Shareholders (as the case maybe), except where the alterations take effect automatically under the existing terms of the Post-IPO RSU Scheme. The amended terms of the Post-IPO RSU Scheme or the Awards must still comply with the relevant requirements under the Listing Rules and applicable laws. Any change to the authority of the Board to alter the terms of the Post-IPO RSU Scheme must be approved by Shareholders in general meeting.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an EXTRAORDINARY GENERAL MEETING (the “EGM”) of CStone Pharmaceuticals (the “Company”) will be held at 21/F, New Bund Times Square, No. 399 West Haiyang Road, Pudong New District, Shanghai, China on Tuesday, March 7, 2023 at 9:00 a.m. for the following purposes. Unless indicated otherwise, terms used herein shall have the same meanings ascribed to them in the circular of the Company dated February 15, 2023 (the “Circular”).

ORDINARY RESOLUTIONS

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolutions:

1. **“THAT**, conditional upon the passing of ordinary resolution numbered #3, the amendments to the Post-IPO ESOP proposed by the Board, a copy of which is produced to this meeting, marked “A” and signed by the Chairman of the EGM for the purpose of identification, be and is hereby approved and adopted in all respects, and **THAT**, the Directors be and are hereby authorised to grant the options thereunder, and do all such acts and execute all such documents as he/she may deem necessary or expedient in order to give full effect to the implementation of the Post-IPO ESOP;
2. **THAT**, conditional upon the passing of ordinary resolution numbered #3, the amendments to the Post-IPO RSU Scheme proposed by the Board, a copy of which is produced to this meeting, marked “B” and signed by the Chairman of the EGM for the purpose of identification, be and is hereby approved and adopted in all respects, and **THAT**, the Directors be and are hereby authorised to grant the awards thereunder, and do all such acts and execute all such documents as he/she may deem necessary or expedient in order to give full effect to the implementation of the Post-IPO RSU Scheme;
3. **THAT**, the Scheme Mandate Limit (as defined in the Share Incentive Schemes) on the total number of Shares that may be issued in respect of all options and awards to be granted to the Eligible Participants under all the share schemes of the Company be and is hereby approved and adopted;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

4. **THAT**, conditional upon the passing of ordinary resolution numbered #3, the Service Provider Sublimit (as defined in the Share Incentive Schemes) on the total number of Shares that may be issued in respect of all options and awards to be granted to the Service Providers under all the share schemes of the Company be and is hereby approved and adopted;

5. **THAT**, conditional upon the passing of ordinary resolution numbered #3, the re-grant of 4,340,000 Options to Dr. Yang, an Existing Grantee under the Post-IPO ESOP to subscribe for an aggregate of 4,340,000 Shares at the exercise price of HK\$4.900 per Share and on the terms and conditions as set out in the Circular be and is hereby approved, confirmed and ratified in all respects and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as he/she may deem necessary or expedient in order to give full effect to such grant and exercise of such Options; and

6. **THAT**, the grant of Options under the Post-IPO ESOP to Dr. Yang to subscribe for an aggregate of 28,000,000 Shares at the exercise price of HK\$4.660 per Share and on the terms and conditions as set out in the Circular be and is hereby approved, confirmed and ratified in all respects and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as he/she may deem necessary or expedient in order to give full effect to such grant and exercise of such Options.”

Ordinary resolutions numbered #1, #2, #4 and #5 are conditional upon the passing of the ordinary resolution numbered #3. In the event that ordinary resolutions #1 to #3 are passed but ordinary resolution #4 not passed, the Company will adopt the amendments to the Share Incentive Schemes proposed by the Board save that the Board shall alter each of the Share Incentive Schemes to remove references to the grant of Awards and/or Options to the Service Providers. In the event that ordinary resolution numbered #1 is not passed but ordinary resolution numbered #2 is passed, the Company will adopt the amendments to the Post-IPO RSU Scheme proposed by the Board; in the event that ordinary resolution numbered #2 is not passed but ordinary resolution numbered #1 is passed, the Company will adopt the amendments to the Post-IPO ESOP proposed by the Board. In the event that any of the ordinary resolution numbered #1, #3 or #5 is not passed, the Proposed Re-grants to Existing Grantees will not become effective in its entirety.

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

Hong Kong, February 15, 2023

<i>Registered office:</i>	<i>Head Office and Principal Place of Business in China:</i>	<i>Principal place of business in Hong Kong:</i>
The offices of Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands	218 Xinghu Str. C1 Building, North Block Suzhou Industrial Park China	40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

- (1) All resolutions at the meeting will be taken by poll (except where the Chairman to the EGM decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
- (2) A Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a Shareholder.
- (3) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (4) In order to be valid, a form of proxy must be deposited the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. by no later than 9:00 a.m. on Sunday, March 5, 2023) or any adjournment thereof. The completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
- (5) For determining the entitlement to attend and vote at the above meeting, the transfer books and register of members will be closed from Thursday, March 2, 2023 to Tuesday, March 7, 2023 both days inclusive, during which period no Share transfers can be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, March 1, 2023.

As at the date of this notice, 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. 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.