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CStone Pharmaceuticals
基石藥業

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

(I) GRANT OF RESTRICTED SHARE UNITS UNDER THE POST-IPO RSU SCHEME; AND
(II) GRANT OF SHARE OPTIONS UNDER THE POST-IPO ESOP

This announcement is made pursuant to Rules 17.06A, 17.06B and 17.06C of the Listing Rules. The Board hereby announces that on March 23, 2023, the Company granted (i) a total of 3,379,180 RSUs to 126 RSU Grantees under the Post-IPO RSU Scheme; and (ii) a total of 14,321,120 Share Options to subscribe for an aggregate of 14,321,120 Shares to 165 Share Option Grantees under the Post-IPO ESOP, subject to the acceptance by the Grantees.

I. GRANT OF RSU UNDER THE POST-IPO RSU SCHEME

On March 23, 2023, the Company granted a total of 3,379,180 RSUs, representing an aggregate of 3,379,180 Shares, to 126 RSU Grantees pursuant to the Post-IPO RSU Scheme.

A summary of the aforesaid grant is set out below:

Grant Date:	March 23, 2023
Number of RSU Grantees:	126 (being three members of senior management, 120 other employees and three Service Providers)
Total number of RSUs to be granted:	3,379,180 RSUs, including 3,361,220 RSUs granted to employees of the Company (including members of senior management) and 17,960 RSUs granted to Service Providers
Consideration for the Grant of RSUs:	Nil
Closing price of the Shares on the Grant Date:	HK\$3.570 per Share

Vesting commencement date of the RSUs granted: For the 2,979,180 RSUs granted, the vesting commences on April 1, 2023 (the “**Vesting Commencement Date**”); for the remaining 400,000 RSUs, the vesting shall commence when the performance target attached to the RSUs is fulfilled. Please see below “Performance target” for details.

Vesting period of the RSUs: 1,059,180 RSUs granted shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU).

1,920,000 RSUs granted shall vest as follows:

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

400,000 RSUs granted shall vest upon satisfaction of the performance target milestone 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 RSU);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU).

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

Performance target:

The 400,000 RSUs granted to one other employee are subject to certain performance target and other requirements as set out in the grant letter entered into between the employee and the Company, including individual performance based on the periodic performance assessment and annual review results by the Company. Save for the 400,000 RSUs granted, there were no performance targets attached to the remaining 2,979,180 RSUs granted.

Having considered that (i) the Grant of RSUs can bring about immediate incentivization effect to members of senior management, which is considered a more attractive motivation to members of senior management for continuing to serve such roles; (ii) the Grant of RSUs to the Grantees is a recognition for their past contributions to the Group; and (iii) the Grant of RSUs without performance target is consistent with the Company's customary practice on previous grants of share incentives to members of senior management, the Compensation Committee considers that without performance target, the Grant of RSUs to senior management could align the interests of the Grantees with incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long term services of the Group, which is in line with the purpose of the Post-IPO RSU Scheme.

Clawback mechanism:

The Grant of RSUs to the RSU Grantees are subject to the clawback mechanism under the Post-IPO RSU Scheme in the event that the Board determines a grantee ceasing to be an eligible person by the reason of acts including without limitation:

- (i) the grantee'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: dishonesty or serious misconduct, whether or not in connection with his employment, appointment or engagement; willful disobedience or non-compliance with the terms of his employment, appointment or engagement, 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; incompetence or negligence in the performance of his duties; or 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;
- (ii) being summarily dismissed by any member of the Group;
- (iii) being convicted of any criminal offence involving his integrity or honesty;
- (iv) being 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;
- (v) retiring by agreement with a member of the Group at any time prior to or on the vesting date.

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 RSU Grantees to facilitate the purchase of RSUs under the Post-IPO RSU Scheme.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the RSU Grantees is (i) a Director, nor a chief executive, or a substantial shareholder of the Company, or an associate of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares. None of the grant will be subject to approval by the Shareholders.

II. GRANT OF SHARE OPTIONS UNDER THE POST-IPO ESOP

On March 23, 2023, the Company granted a total of 14,321,120 Share Options to 165 Share Option Grantees to subscribe for a total of 14,321,120 Shares pursuant to the Post-IPO ESOP.

A summary of the aforesaid grant is set out below:

Grant Date:	March 23, 2023
Number of Share Option Grantees:	165 (being three members of senior management, 157 other employees and five Service Providers)
Total number of new Shares to be subscribed upon exercise of the Options granted:	14,321,120 Shares Options, including 14,238,280 Share Options granted to employees of the Company (including members of senior management) and 82,840 Share Options granted to Service Providers
Consideration for the Grant of Share Options:	Nil
Closing price of the Shares on the Grant Date:	HK\$3.570 per Share
Average closing price of the Shares for the five consecutive business days prior to Grant Date:	HK\$3.768 per Share
Exercise price of the Options:	HK\$3.768 per Share, being the higher of the closing price of the Shares on the Grant date and the average closing price of the Shares for the five consecutive business days prior to the Grant Date.
Exercise period of the Share Options:	The exercise period of the Share Options shall be subject to the relevant grant letter to the Share Option Grantee (and any vesting periods provided thereunder), which in any event must not be more than ten years from the Grant Date and the Share Options shall lapse at the expiry of such exercise period.
Vesting commencement date of the Share Options granted:	For the 12,721,120 Share Options granted, the vesting commences on April 1, 2023 (the “ Vesting Commencement Date ”); for the remaining 1,600,000 Share Options, the vesting shall commence when the performance target attached to the Share Options is fulfilled. Please see below “Performance target” for details.

Vesting period of the
Share Options:

480,000 Share Options granted shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole Share Option);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole Share Option);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole Share Option); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole Share Option).

12,241,120 Share Option granted shall vest as follows:

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

1,600,000 Share Options granted shall vest upon satisfaction of the performance target milestone 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 Share Option);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Share Option);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Share 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 Share Option).

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

Performance target:

The 1,600,000 Share Options granted to one other employee are subject to certain performance target and other requirements as set out in the grant letter entered into between the employee and the Company, including individual performance based on the periodic performance assessment and annual review results by the Company. Save for the 1,600,000 Share Options granted, there were no performance targets attached to the remaining 12,721,120 Share Options granted.

Having considered that (i) the Grant of Share Options can bring about immediate incentivization effect to members of senior management, which is considered a more attractive motivation to members of senior management for continuing to serve such roles; (ii) the Grant of Share Options to the Grantees is a recognition for their past contributions to the Group; and (iii) the Grant of Share Options without performance target is consistent with the Company's customary practice on previous grants of share incentives to members of senior management, the Compensation Committee considers that without performance target, the Grant of Share Options to senior management could align the interests of the Grantees with incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long term services of the Group, which is in line with the purpose of the Post-IPO ESOP.

Clawback mechanism:

The Grant of Share Options to the Share Option Grantees are subject to the clawback mechanism under the Post-IPO ESOP in the event that the Board determines a grantee ceasing to be an employee by the reason of acts including without limitation:

- (i) grave misconduct, willful default or willful neglect in the discharge of his or her duties with the Group;
- (ii) fraudulent activity whether or not in connection with the affairs of the Group;
- (iii) being convicted of any offence;
- (iv) being proved to take advantages of his/her position to make interest for him/herself or for others;
- (v) being proved to appropriate assets of the Group;
- (vi) serious violation or persistent breach of any terms of the employment agreement, the confidentiality and intellectual property rights assignment agreement, the non-compete and non-solicitation agreement, the anti-bribery agreement or any other agreements entered into by and between such grantee and any member of the Group;

- (vii) repeated drunkenness or use of illegal drugs or being addicted to gambling which adversely interferes with or is reasonably expected to adversely interfere with the performance of such grantee's obligations and duties of employment; and
- (viii) any other conduct which, as the Board determines in good faith, would justify the termination of his or her contract, then any Share Option (whether vested or unvested) held by such grantee shall immediately lapse, unless the Board resolves otherwise in its absolute discretion.

If an Share Option Grantee ceases to be an eligible person by reason of (i) death of the Share Option Grantee, (ii) the Share Option Grantee's serious illness or injury which, in the opinion of the Board, renders the Share Option Grantee concerned unfit to perform the duties of his or her employment and which in the normal course would render the Share Option 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, any unvested Share Options will immediately lapsed.

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 Share Option Grantees to facilitate the purchase of Share Options under the Post-IPO ESOP.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Share Option Grantees is (i) a Director, a chief executive, a substantial shareholder of the Company, or an associate of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares. None of the grant will be subject to approval by the Shareholders.

As at the date of this announcement, after the Grant of RSUs and the Grant of Share Options above, 106,344,101 underlying Shares will be available for future grants under the Scheme Mandate Limit, and 12,737,640 underlying Shares will be available for future grants under the Service Provider Sublimit.

Reasons for and Benefits of the Grant of RSUs and the Grant of Share Options

The purposes and the objectives of the Post-IPO RSU Scheme and the Post-IPO ESOP include to: (i) recognise the contributions by the 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 reasons for the Grant of RSUs and the Grant of Share Options are to provide incentives for the Grantees to exert maximum efforts and reward continued efforts for the success of the Group, and to provide a means by which the RSU Grantees and the Share Option Grantees may be given an opportunity to benefit from increases in value of the Shares through the Grant of RSUs and the Grant of Share Options. It is considered that the grants under Post-IPO RSU Scheme and/or Post-IPO ESOP will provide incentives to the employees of the Group and Service Providers to further contribute to the Group and to align their interests with the best interests of the Company and the Shareholders as a whole. The Grant of RSUs and the Grant of Share Options form part of the remuneration to the RSU Grantees and the Share Option Grantees (including Service Providers).

In addition, the Service Providers who were granted the RSUs and the Share Options are 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 business to help maintain or enhance the competitiveness of the Group. The Board considers that such grants to Service Providers will encourage them to work towards enhancing the value of the Company and the Shares for the benefits of the Company and Shareholders as a whole, which is in the interest of the long-term development of the Company and aligns with the purposes of the Post-IPO RSU Scheme and the Post-IPO ESOP.

DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	CStone Pharmaceuticals, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Compensation Committee”	the compensation committee of the Board;
“Director(s)”	the director(s) of the Company;
“Grantee(s)”	the Share Option Grantees and the RSU Grantees;
“Grant Date”	March 23, 2023;
“Grant of RSUs”	the grant of an aggregate of 3,379,180 RSUs to 126 RSU Grantees in accordance with the terms of the Post-IPO RSU Scheme;
“Grant of Share Options”	the grant of an aggregate of 14,321,120 Share Options to 165 Share Option Grantees in accordance with the terms of the Post-IPO ESOP;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Post-IPO ESOP”	the post-IPO share option scheme as adopted on February 26, 2019 and amended on March 7, 2023;
“Post-IPO RSU Scheme”	the post-IPO restricted share units scheme as adopted on March 22, 2019 and amended on December 10, 2019, January 7, 2020 and March 7, 2023;
“RSU(s)”	restricted share unit(s) granted under the Post-IPO RSU Scheme;

“RSU Grantee(s)”	three senior management members, 120 other employees and three Service Providers who are granted with a total of 3,379,180 RSUs under the Post-IPO RSU Scheme;
“Share Option(s)”	a right granted to subscribe for Shares pursuant to the Post-IPO ESOP;
“Share Option Grantee(s)”	three senior management members, 157 other employees and five Service Providers who are granted with the Share Options pursuant to the Post-IPO ESOP;
“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 issuer (or the subsidiary) on March 7, 2023, i.e. 128,384,401 (excluding the share awards and/or options lapsed in accordance with the terms of the Post-IPO RSU Scheme and the Post-IPO ESOP);
“Service Provider(s)”	any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity);
“Service Provider Sublimit”	a sublimit under the Scheme Mandate Limit for share awards and/or options over new shares of the Company under all share schemes of the Company granted to the Service Providers, which must not exceed 1% of the issued shares of the Company (or the subsidiary) on March 7, 2023, i.e., 12,838,440 (excluding the share awards and/or options lapsed in accordance with the terms of the Post-IPO RSU Scheme and the Post-IPO ESOP);
“Share(s)”	ordinary share(s) of par value of US\$0.0001 each in the capital of the Company;

“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	shall have the meaning ascribed to it under the Listing Rules;
“US\$”	United States dollars, the lawful currency of the United States of America;
“%”	per cent.

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

Suzhou, the People’s Republic of China, March 23, 2023

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