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**CStone Pharmaceuticals**

**基石藥業**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2616)**

## **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 November 8, 2023, the Company granted a total of 14,000,000 Share Options to subscribe for an aggregate of 14,000,000 Shares to Dr. Yang under the Post-IPO ESOP, subject to the acceptance by Dr. Yang.

### **GRANT OF SHARE OPTIONS UNDER THE POST-IPO ESOP**

On November 8, 2023, the Company offered to grant a total of 14,000,000 Share Options to Dr. Yang to subscribe for a total of 14,000,000 Shares pursuant to the Post-IPO ESOP, subject to acceptance.

#### **Details of the Grant of Share Options**

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

Grant Date:	November 8, 2023
Name of the grantee:	Dr. Jianxin Yang
Total number of new Shares to be subscribed upon exercise of Share Options granted:	14,000,000
Consideration for the Grant of Share Options:	Nil to be paid by Dr. Yang upon acceptance of Share Options granted
Closing price of the Shares on the Grant Date:	HK\$2.350 per Share

Average closing price of the Shares for the five consecutive business days prior to Grant Date:	HK\$2.186 per Share
Exercise price of Share Options:	HK\$2.350 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 immediately prior to the Grant Date.
Exercise period of Share Options:	The exercise period of the Share Options shall be ten years from the Grant Date and the Share Options shall lapse at the expiry of such exercise period.
Vesting commencement date of Share Options granted:	<p>The vesting of the Shares Options shall commence on the dates upon Dr. Yang having fulfilled the following Performance Target Milestones (the “<b>Vesting Commencement Dates</b>”):</p> <ul style="list-style-type: none"> <li data-bbox="706 798 1367 903">• Vesting of 2,100,000 Share Options shall commence on the date of fulfilment of the first Performance Target Milestone;</li> <li data-bbox="706 934 1367 1039">• Vesting of 4,900,000 Share Options shall commence on the date of fulfilment of the second Performance Target Milestone; and</li> <li data-bbox="706 1071 1367 1176">• Vesting of 7,000,000 Share Options shall commence on the date of fulfilment of the third Performance Target Milestone.</li> </ul>
Vesting period of Share Options:	<p>Please see below “Vesting period of Share Options” and “Performance Targets” for details.</p> <p>Subject to fulfilment of the respective Performance Target Milestones, the Share Options granted to Dr. Yang, subject to acceptance, shall vest as follows:</p> <ul style="list-style-type: none"> <li data-bbox="706 1459 1367 1606">• 25% of Share Options corresponding to the relevant Performance Target Milestone shall vest on the first anniversary of the respective Vesting Commencement Dates; and</li> <li data-bbox="706 1638 1367 1841">• the remaining 75% of Share Options corresponding to the relevant Performance Target Milestone shall vest monthly in equal installments over the 36 months immediately following the first anniversary of the respective Vesting Commencement Dates.</li> </ul>

Performance target:

The Share Options granted to Dr. Yang are subject to the Performance Target Milestones and other requirements as determined by the Board at its absolute discretion, including individual performance based on the performance review and assessment by the Company.

The Company has established an appraisal mechanism to assess the fulfilment of performance targets, which is linked to the Company's strategic goals and values. The appraisal mechanism uses a scoring system based on a matrix of qualitative and quantitative indicators. These indicators include, but are not limited to, measures of work quality, efficiency, collaboration, management and strategy. Dr. Yang's regular duties and the strategic objectives or tasks assigned to him will be evaluated based on the said scoring system. The Company intends to make reference to this appraisal mechanism to review the performance targets of Dr. Yang. Share Options shall only commence vesting if Dr. Yang fulfils the Performance Target Milestones. If Dr. Yang fails to achieve, the unvested Share Options shall automatically lapse.

Clawback mechanism:

The Grant of Share Options to Dr. Yang is subject to the clawback mechanism under the Post-IPO ESOP in the event that the Board determines Dr. Yang shall cease 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 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 have taken advantage of his position to benefit for himself or others;
- (v) being proved to have appropriated 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 Dr. Yang 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 Dr. Yang'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 contract.

In any such case, any Share Option (whether vested or unvested) held by Dr. Yang shall immediately lapse, unless the Board resolves otherwise in its absolute discretion.

If Dr. Yang ceases to be an eligible person by reason of (i) death or (ii) serious illness or injury which, in the opinion of the Board, renders him unfit to perform the duties of his employment and which in the normal course would render Dr. Yang unfit to continue performing the duties under his 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 lapse.

Arrangement for the Group to provide financial assistance to a grantee to facilitate the subscription of Share Options:

There are no arrangements for the Company or any of its subsidiaries to provide financial assistance to Dr. Yang to facilitate the subscription of Share Options under the Post-IPO ESOP.

The 14,000,000 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.

As at the date of this announcement, after the Grant of Share Options above, 124,076,723 underlying Shares will be available for future grants under the Post-IPO ESOP and 12,745,640 underlying Shares will be available for future grants under the service provider sublimit under the Post-IPO ESOP.

### **Reasons for and Benefits of the Grant of Share Options**

The purpose of the Post-IPO ESOP is to, among other things, (i) encourage and retain individuals for the continual operation and development of the Group; (ii) provide additional incentives for them to achieve performance goals; and (iii) motivate the selected participants to maximize the value of the Company for the benefit 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 through ownership of Shares.

The reasons for the Grant of Share Options are to provide incentives for Dr. Yang to exert maximum efforts and reward continued efforts for the success of the Group, and to provide a means by which Dr. Yang may be given an opportunity to benefit from increases in value of the Shares through the Grant of Share Options. It is considered that the grant under the Post-IPO ESOP will provide incentives to Dr. Yang to further contribute to the Group and to align his interests with the best interests of the Company and the Shareholders as a whole. The Grant of Share Options forms part of the remuneration to Dr. Yang. In determining the amount of Share Options to be granted to Dr. Yang, the Board took into consideration the number of Share Options and Awards which were previously granted to Dr. Yang.

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 Share 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 Share Options proposed to be granted to Dr. Yang (including the amount of Share Options) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In accordance with Rule 17.04(1) of the Listing Rules, the Grant of Share Options has been approved by all of the independent non-executive Directors and also has been reviewed and approved by the Remuneration Committee.

The Grant of Share Options to Dr. Yang is subject to Shareholders' approval. In the event that Shareholders' approval in the EGM is not obtained, the Company shall revoke the Grant of Share Options in its entirety and publish further announcements where appropriate.

## **EGM**

Pursuant to the note to Rule 17.03D(1) of the Listing Rules, where any grant of share options to a grantee would result in the Shares issued and to be issued upon exercise of all share 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 relevant class of shares of the Company in issue, such grant must be separately approved by the Shareholders in general meeting with such grantee and his/her close associates (or associates if the grantee is a connected person) abstain from voting.

As the grant of 14,000,000 Share Options would result in the Shares issued and to be issued in respect of all Share Options and Awards granted to Dr. Yang (excluding any Share Options and Awards lapsed in accordance with the terms of the Post-IPO RSU Scheme and the Post-IPO ESOP) in the 12-month period up to and include the Grant Date exceeding 1% of the total number of Shares in issue as at the Grant Date, the Grant of Share Options to Dr. Yang is subject to approval of the Shareholders at the EGM pursuant to Rule 17.03D of the Listing Rules. As Dr. Yang is considered to have a material interest in the Grant of Share Options to him, he and his associate(s) shall abstain from voting on the resolution to consider and if thought fit, approve, inter alia, the Grant of Share Options at the EGM.

An EGM will be convened for the purposes of considering, and if thought fit, approving, inter alia, the Grant of Share Options to Dr. Yang under the Post-IPO ESOP. A circular containing,

inter alia, further details of the aforesaid matters, together with a notice of the EGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

**As of the date of this announcement, the Grant of Share Options to Dr. Yang remains subject to the approval of the Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Awards”	an award of Restricted Shares by the Board pursuant to the Post-IPO RSU Scheme;
“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;
“Director(s)”	the director(s) of the Company;
“Dr. Yang”	Dr. Jianxin Yang, the chief executive officer of the Company and the sole executive Director;
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, inter alia, the Grant of Share Options to Dr. Yang;
“Grant Date”	November 8 2023;
“Grant Letter”	the grant letter entered into between Dr. Yang and the Company dated November 8, 2023;
“Grant of Share Options”	the grant of an aggregate of 14,000,000 Share Options to Dr. Yang 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;
“Performance Target Milestones”	the respective performance target milestones attached to the corresponding portion of Share Options as stipulated in the Grant Letter;
“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;
“Remuneration Committee”	the remuneration committee of the Board;
“Share Option(s)”	a right granted to subscribe for the Shares pursuant to 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; and
“%”	per cent.

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

Suzhou, the People’s Republic of China, November 8, 2023

*As at the date of this announcement, the Board 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.*