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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**

**GRANT OF RSU UNDER THE POST-IPO RSU SCHEME**

On October 18, 2024, the Board has resolved to grant an aggregate of 200,000 RSUs to the RSU Grantee, an eligible employee of the Company, pursuant to the terms of the Post-IPO RSU Scheme.

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

On October 18, 2024, the Board has resolved to grant an aggregate of 6,280,000 Share Options to 3 eligible employees of the Company, pursuant to the terms of 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 October 18, 2024, the Company granted (i) an aggregate of 200,000 RSUs to the RSU Grantee under the Post-IPO RSU Scheme; and (ii) an aggregate of 6,280,000 Share Options to 3 Share Options Grantees under the Post-IPO ESOP, subject to acceptance by the RSU Grantee and the Share Options Grantees.

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

On October 18, 2024, the Company granted an aggregate of 200,000 RSUs, representing an aggregate of 200,000 Shares, to the RSU Grantee pursuant to the Post-IPO RSU Scheme.

A summary of the aforesaid grant is set out below:

Grant Date:	October 18, 2024
Number of RSU Grantee:	1 (being an employee of the Company)
Total number of RSUs to be granted:	200,000 RSUs
Consideration for the Grant of RSUs:	Nil
Closing price of the Shares on the Grant Date:	HK\$1.76 per Share
Vesting commencement date of the RSUs granted:	October 9, 2024 (the “ <b>RSU Vesting Commencement Date</b> ”)
Vesting periods of the RSUs:	200,000 RSUs granted shall vest as follows: <ul style="list-style-type: none"><li>• 25% shall vest on the first anniversary of the RSU Vesting Commencement Date (rounding to the nearest whole RSU);</li><li>• 25% shall vest on the second anniversary of the RSU Vesting Commencement Date (rounding to the nearest whole RSU);</li><li>• 25% shall vest on the third anniversary of the RSU Vesting Commencement Date (rounding to the nearest whole RSU); and</li><li>• 25% shall vest on the fourth anniversary of the RSU Vesting Commencement Date (rounding to the nearest whole RSU).</li></ul>

The RSUs granted to the RSU Grantee will vest in several batches, with a total vesting period of more than 12 months. Due to administrative reasons, the period between the Grant Date and the first vesting period for the RSUs granted to the RSU Grantee is less than 12 months to reflect the time from which the RSUs would have been granted as permitted under specific circumstances as set out in the Post-IPO RSU Scheme. In any event, the Board has the discretion to accelerate the above vesting schedules of the RSUs, subject to compliance with the requirements of Rule 17.03F of the Listing Rules as and when appropriate.

The Board is of the view that the Grant of RSUs and the relevant vesting periods are appropriate and in line with the market practice and the purposes of the Post-IPO RSU Scheme.

Performance target:	A time-based vesting schedule is applicable to the Grant of RSUs with no performance target attached.
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Clawback mechanism: The Grant of RSUs to the RSU Grantee is subject to the clawback mechanism under the Post-IPO RSU Scheme in the event that the Board determines a grantee has ceased to be an eligible person by reason of acts including without limitation:

- (i) the RSU Grantee’s service or employment with the Group being 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/her employment, appointment or engagement; willful disobedience or non-compliance with the terms of his/her 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/her duties; or doing anything in the conclusive opinion of the Board adversely affects his/her ability to perform his/her duties properly or brings 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/her 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; or
- (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 the RSU Grantee 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, the RSU Grantee is not (i) a Director, a chief executive, or a substantial shareholder of the Company, or an associate of any of them; (ii) a participant with options and RSUs 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 RSUs granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares under Rule 17.06A(2)(c) of the Listing Rules. The Grant of RSUs to the RSU Grantee will not be subject to approval by the Shareholders.

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

On October 18, 2024, the Company granted an aggregate of 6,280,000 Share Options to 3 Share Options Grantees to subscribe for an aggregate of 6,280,000 Shares pursuant to the Post-IPO ESOP.

A summary of the aforesaid grant is set out below:

Grant Date:	October 18, 2024
Number of Share Options Grantees:	3 (being employees of the Company)
Total number of new Shares to be subscribed upon exercise of the Share Options granted:	6,280,000 Share Options
Consideration for the Grant of Share Options:	Nil
Closing price of the Shares on the Grant Date:	HK\$1.76 per Share
Average closing price of the Shares for the five consecutive business days prior to Grant Date:	HK\$1.678 per Share
Exercise price of the Options:	HK\$1.76 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 letters to the Share Options Grantees (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 dates of the Share Options granted:

Among the aggregate of 6,280,000 Share Options granted to the Share Options Grantees, the vesting period of 2,000,000 Share Options, which is granted to one of the Share Options Grantees (a Senior Manager) shall commence on October 18, 2024 (the “**Senior Manager Options Vesting Commencement Date**”). The vesting period of 4,000,000 Share Options granted to above mentioned Share Options Grantee shall commence on the dates upon which the relevant Share Options Grantee has fulfilled the following performance target milestones (the “**Milestone Vesting Commencement Dates**”):

- Vesting period of 1,000,000 Share Options shall commence on the date of fulfilment of the first performance target milestone;
- Vesting period of 2,500,000 Share Options shall commence on the date of fulfilment of the second performance target milestone; and
- Vesting period of 500,000 Share Options shall commence on the date of fulfilment of the third performance target milestone.

Among the 280,000 Share Options granted to the other Share Options Grantees, the vesting period of 80,000 Share Options shall commence on June 13, 2024 and the vesting period of 200,000 Share Options shall commence on October 9, 2024 (the “**Employee Options Vesting Commencement Dates**”).

Please see below “Vesting period of the Share Options” and “Performance Targets” for details.

Vesting periods of the Share Options:

Among the aggregate of 6,280,000 Share Options granted to the Share Options Grantees, 2,000,000 Share Options shall vest as follows:

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

Subject to fulfilment of the respective performance target milestones, 4,000,000 Share Options granted to one of the Share Options Grantees shall vest as follows:

- 25% of Share Options corresponding to the relevant performance target milestone shall vest on the first anniversary of the respective Milestone Vesting Commencement Dates;
- 25% of Share Options corresponding to the relevant performance target milestone shall vest on the second anniversary of the respective Milestone Vesting Commencement Dates;
- 25% of Share Options corresponding to the relevant performance target milestone shall vest on the third anniversary of the respective Milestone Vesting Commencement Dates; and
- 25% of Share Options corresponding to the relevant performance target milestone shall vest on the fourth anniversary of the respective Milestone Vesting Commencement Dates.

The 280,000 Share Options granted to the Share Options Grantees shall vest as follows:

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

The Share Options granted to the Share Options Grantees will vest in several batches, with a total vesting period of more than 12 months. Due to administrative reasons, the periods between the Grant Date and the first vesting periods for the 280,000 Share Options granted to two of the Share Options Grantees (none of which is a Senior Manager) are less than 12 months to reflect the time from which the Share Options would have been granted as permitted under specific circumstances as set out in the Post-IPO ESOP. In any event, the Board has the discretion to accelerate the above vesting schedules of the Share Options, subject to compliance with the requirements of Rule 17.03F of the Listing Rules as and when appropriate.

The Board is of the view that the Grant of Share Options and the relevant vesting periods are appropriate and in line with the market practice and the purposes of the Post-IPO ESOP.

Performance targets:

Among the aggregate of 6,280,000 Share Options granted to the Share Options Grantees, 4,000,000 Share Options granted to one of the Share Options Grantees are subject to 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. The relevant Share Options Grantee's regular duties and the strategic objectives or tasks assigned to him/her 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 the relevant Share Options Grantee. Share Options shall only commence vesting if the relevant Share Options Grantee fulfils the respective performance target milestones. If the relevant Share Options Grantee fails to achieve, the unvested Share Options shall automatically lapse.

A time-based vesting schedule is applicable to the remaining 2,280,000 Share Options granted to the Share Options Grantees with no performance target attached.

Having considered that (i) the grant of 2,000,000 Share Options to one of the Share Options Grantees (a Senior Manager), is a recognition for his/her past contributions to the Group; (ii) the Grant of Share Options can bring about an immediate incentivization effect for the Share Options Grantees, which is considered a more attractive motivation to the Share Options Grantees; 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 the Directors, employees of the Company (including members of senior management) and Service Providers, the Compensation Committee considers that without any performance targets, the grant of the 2,000,000 Share Options to one of the Share Options Grantees could align the interests of the relevant Share Options Grantee with incentive to the relevant Share Options Grantee to work towards the continued success of the Group, and reinforce his/her commitment in providing long-term services to the Group, which is in line with the purpose of the Post-IPO ESOP.

Clawback mechanism:

The Grant of Share Options to the Share Options Grantees is subject to the clawback mechanism under the Post-IPO ESOP in the event that the Board determines a grantee has ceased to be an employee by 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 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 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.

In such cases, any Share Options (whether vested or unvested) held by the Share Options Grantees shall immediately lapse, unless the Board resolves otherwise in its absolute discretion.

If any of the Share Options Grantees 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/her unfit to perform the duties of his/her employment and which in the normal course would render the Share Options Grantees unfit to continue performing the duties under his/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 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 any Share Options Grantees to facilitate the subscription 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 Options 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 RSUs 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 RSUs granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares under Rule 17.06A(2)(c) of the Listing Rules. The Grant of Share Options will not be subject to approval by the Shareholders.

The Grant of RSUs and the Grant of Share Options will be satisfied by issuance of new Shares within the Scheme Mandate Limit. As at the date of this announcement, after the Grant of RSUs and the Grant of Share Options above, 72,716,348 underlying Shares will be available for future grants under the Scheme Mandate Limit, and 12,663,640 underlying Shares will be available for future grants under the Service Provider Sublimit.

## **REASONS FOR AND BENEFITS OF THE GRANT OF RSU AND THE GRANT OF SHARE OPTIONS**

The purposes and the objectives of the Post-IPO RSU Scheme and the Post-IPO ESOP are to: (i) recognize the contributions by the selected participants; (ii) encourage and retain such individuals for the continuing 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 maximize 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 RSU Grantee and the Share Options Grantees to exert maximum efforts and reward their continued efforts for the success of the Group, and to provide a means by which the RSU Grantee and the Share Options 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 the Post-IPO RSU Scheme and the 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 Options Grantees.

For the above reasons, the Grant of RSUs and the Grant of Share Options have been approved by the Board (including all the independent non-executive Directors). The Board is of the view that the RSUs and the Share Options proposed to be granted to the RSU Grantee and the Share Options Grantees (including the amount of the RSUs and the Share Options) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## 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 Options Grantees and the RSU Grantee;
“Grant Date”	October 18, 2024;
“Grant of RSUs”	the grant of an aggregate of 200,000 RSUs to the RSU Grantee in accordance with the terms of the Post-IPO RSU Scheme;
“Grant of Share Options”	the grant of an aggregate of 6,280,000 Share Options to 3 Share Options 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”	being an eligible employee of the Company who is granted an aggregate of 200,000 RSUs under the Post-IPO RSU Scheme;
“Share Option(s)”	a right granted to subscribe for Shares pursuant to the Post-IPO ESOP;
“Share Options Grantee(s)”	being the 3 eligible employees of the Company who are granted an aggregate of 6,280,000 Share Options pursuant to the Post-IPO ESOP;
“Scheme Mandate Limit”	the limit on grants of RSUs 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 RSUs and/or options lapsed in accordance with the terms of the Post-IPO RSU Scheme and the Post-IPO ESOP);
“Senior Manager”	has the meaning ascribed to it under Chapter 17 of the Listing Rules;
“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 RSUs 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 RSUs 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; and

“%” per cent.

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

Suzhou, the People’s Republic of China, October 18, 2024

*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.*