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## **CStone Pharmaceuticals**

**基石藥業**

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

**(Stock Code: 2616)**

### **VOLUNTARY ANNOUNCEMENT**

#### **ADOPTION OF RESTRICTED SHARE AWARD SCHEME**

The Board has today resolved to adopt a restricted share award scheme to, among other things, recognise the contributions by Selected Participants. The Scheme shall initially be valid and effective for a period of ten (10) years commencing on the Adoption Date.

Pursuant to the Scheme, vesting of the Restricted Shares will be satisfied by either (i) Shares issued by the Company to the Selected Participants under its available general mandate; or (ii) Shares purchased by the Trustee on the secondary market.

The maximum total number of Restricted Shares which may be granted under the Scheme shall initially not exceed 7,650,000 Shares.

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules. No shareholders' approval is required to adopt the Scheme, and this announcement is made on a voluntary basis.

#### **ADOPTION OF RESTRICTED SHARE AWARD SCHEME**

The Board has today resolved to adopt a restricted share award scheme to, among other things, recognise the contributions, and to attract, motivate and retain, Selected Participants.

Pursuant to the Scheme, vesting of the Restricted Shares will be satisfied by either (i) Shares issued by the Company to the Selected Participants under its available general mandate; or (ii) Shares purchased by the Trustee on the secondary market.

#### **LISTING RULES IMPLICATIONS**

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Scheme, and this announcement is made on a voluntary basis.

The Restricted Shares will not be granted to any Excluded Person, including but not limited to any connected person of the Company at the time of the proposed grant of any Award.

Any new Shares to be allotted to the Trustee are expected to be issued under the general mandate, which may be granted to the Directors by the shareholders of the Company on an annual basis. The Company will comply with the relevant requirements under the Listing Rules, where applicable, including Rule 10.08 of the Listing Rules.

## **SUMMARY OF THE SCHEME**

### **Purposes and Objectives**

The purposes and the objectives of the 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.

### **Administration**

The Scheme shall be subject to the administration of the Committee and the Trustee in accordance with the Rules and the terms of the Trust Deed. Unless otherwise specified in the Rules, the decision of the Committee and the Trustee regarding the administration and operation of the Scheme is final and binding on all parties.

### **Maximum Limit**

The Board shall not make any further Award which will result in the aggregate number of the Shares awarded by the Board under the Scheme exceeding 7,650,000 Shares, being approximately 0.78% of the issued share capital of the Company as at the Adoption Date.

The maximum number of Shares which may be awarded to any one Selected Participant under the Scheme may not exceed 1% of the issued share capital of the Company as at the Adoption Date.

The Board shall regularly review the maximum limit of the Scheme and may resolve, as it sees fit, to increase the maximum limit. Any increase of the maximum limit of the Scheme will be promptly announced by the Company.

### **Operation**

Subject to the Rules, the Board may, from time to time, at its absolute discretion select any Eligible Person (other than any Excluded Person) to be a Selected Participant and grant to such Selected Participant Restricted Shares. Participation in the Scheme is limited to Selected Participants only.

The Board may at any time at its discretion, in respect of each Selected Participant, cause to be paid the Reference Amount from the Company's resources or any Subsidiary's resources into the Account for the purchase of the Restricted Shares. In the event that the Restricted Shares are to be allotted and issued as new Shares to the Trustee under general mandate for the purpose of the Trust, the Board may cause the subscription price for such new Shares to be allotted and issued be transferred from the Company's or any Subsidiary's resources internally.

## **Restrictions**

No Award may be made by the Board to any Selected Participant: (i) where the Company has 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 Stock Exchange and the Company; (ii) after any Inside Information in relation to the securities of the Company has occurred or has become the subject of a decision, until such Inside Information has been published; (iii) 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 (1) the date of a meeting of the Board (as such date is first notified to the 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 (2) 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 (iv) 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. In addition, no Award that is satisfied by the issuance of new Shares shall be made within the first 6 months from the initial listing date of Shares on the Stock Exchange.

## **Vesting and Lapse**

Subject to the Rules, the vesting of the Restricted Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date an Eligible Person.

Subject to the Rules, a Selected Participant ceases to be an Eligible Person if (i) the Selected Participant's service or employment with the Group has been terminated by any member of the Group for cause; (ii) the Selected Participant has been summarily dismissed by any member of the Group in so far as such Selected Participant is an Employee; (iii) the Selected Participant has been convicted for any criminal offence involving his integrity or honesty; (iv) 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 (v) the Selected Participant retires by agreement with a member of the Group at any time prior to or on the Vesting Date.

Subject to the Rules, in the event that prior to or on the Vesting Date (i) the relevant Selected Participant ceases to be an Eligible Person 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, the Award will automatically lapse forthwith and the Restricted Shares will not vest on the relevant Vesting Date.

In the event that prior to or on the Vesting Date, a Selected Participant is found to be an Excluded Person, the relevant part of the Award made to such Selected Participant automatically lapses forthwith and the relevant Restricted Shares will not vest on the relevant Vesting Date.

If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), all the Restricted Shares immediately vest on the date when such change of control event becomes or is declared unconditional prior to the vesting of Shares in the Selected Participant.

Subject to the satisfaction of all vesting conditions, the Trustee will transfer the relevant Restricted Shares to the relevant Selected Participants as soon as practicable after the Vesting Date and in any event not later than ten (10) Business Days after the Vesting Date.

In respect of a Selected Participant who dies at any time prior to or on the Vesting Date, all the unvested Restricted Shares of the relevant Selected Participant shall be automatically cancelled with effect from the date on which the Selected Participant dies. The Board may however, in its absolute discretion, determine, within thirty (30) calendar days after the date of death, that the unvested Restricted Shares of the relevant Selected Participant shall be vested on an accelerated basis on terms determined by the Board. In such event, subject to the Rules, the Trustee shall hold the vested Restricted Shares upon trust and, as instructed by the Company, to transfer the same to the legal personal representatives of the Selected Participant (i) within three years of the death of the Selected Participant; (ii) within 6 months after the date the grant of representation is obtained from relevant court; or (iii) within the trust period under the Trust Deed (whichever is shorter).

### **Voting Rights**

The Trustee does not exercise any voting rights in respect of any Shares held under the Trust or as nominee.

### **Transferability and Limitations**

Any Award is personal to the Selected Participant and is not assignable and no Selected Participant may in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to, among others, the Awarded Amount, Reference Amount referable to him pursuant to such Award or the Restricted Shares.

No instructions may be given by a Selected Participant to the Trustee in respect of the Restricted Shares that have not vested, and such other properties of the Account managed by the Trustee.

The Trustee may not subscribe for any new Shares pertaining to either (a) an open offer of new securities; or (b) any rights issue or bonus warrants issued in respect of any Shares held by the Trustee. In the event of a rights issue, the Trustee will sell any nil-paid rights allotted to it. In the event of the issue of a bonus warrant, the Trustee will sell the bonus warrants granted to it. The net proceeds from the sale of such rights are held as cash income of the trust fund of the Trust and shall be applied in accordance with the Rules.

The Trustee may at all times have the discretion to decide whether to elect to receive scrip dividend or in cash, subject to prior consultation with and decision of the Board.

### **Duration and Termination**

The Scheme commences on the Adoption Date and remains valid and effective unless and until being terminated on the earlier of: (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.

Upon receipt of the notification of termination from the Committee in writing, the Trustee will, pursuant to the Rules, vest all Restricted Shares which, as of the date of such notice are unvested and have not previously lapsed, and transfer such vested Restricted Shares to the relevant Selected Participants.

In the event of termination of the Scheme, after all Restricted Shares granted under the Scheme have either previously lapsed or have vested and been transferred to the relevant Selected Participants, the cash that has not been applied in the acquisition or subscription of the Restricted Shares and such other funds remaining in the Account managed by the Trustee including the proceeds of sale of any Shares held in the Account (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) will be remitted to the Company forthwith.

## **DEFINITION**

Unless otherwise defined, the following expressions in this announcement have the following meanings:

<b>Term</b>	<b>Definition</b>
“Account”	the bank account opened in the name of the Trustee, managed by the Trustee, and operated solely for the purposes of operating the Scheme for the benefit of Selected Participants and can be funded by the Company or any of its Subsidiaries
“Adoption Date”	22 March 2019, being the date on which the Scheme is adopted by the Company
“Award”	an award of Restricted Shares by the Board pursuant to the Scheme to a Selected Participant and will not include any options for Selected Participant to purchase Shares
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturdays, 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
“Committee”	the remuneration committee of the Company from time to time
“Company”	CStone Pharmaceuticals, a limited liability company incorporated and existing under the laws of the Cayman Islands and whose Shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company or any one of them
“Eligible Person”	any employee of any member of the Group and any consultant, adviser or agent of any member of the Group, have contributed or will contribute to the growth and development of the Group

“Employee”	an employee of any member of the Group
“Excluded Person”	(i) at the time of the proposed grant of an Award, any connected person of the Company or (ii) any Eligible Person who is resident in a place where the award of the Restricted Shares and/or the vesting and transfer of the Restricted Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Person
“Grant Date”	in relation to any Restricted Share, the date on which the Restricted Share is, was or is to be granted
“Grant Shares”	the number of Restricted Shares granted pursuant to the Scheme
“Group”	the Company and its Subsidiaries
“Inside Information”	has the meaning given under Part XIVA of the SFO
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reference Amount”	means the sum of (i) the awarded amount, which is, 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 market as instructed by the Board, multiplied by the number of the Restricted Shares comprised in the Award and (ii) the related purchase expenses and such other necessary expenses required for the completion of the purchase of all the Grant Shares
“Restricted Share(s)”	in respect of a Selected Participant, such number of Shares determined by the Board and (i) issued by the Company out of its available general mandate, or (ii) purchased by the Trustee on the market
“Rules”	the rules of the Scheme adopted by the Board on the Adoption Date
“Scheme”	the scheme constituted by the Rules as amended from time to time
“Selected Participant(s)”	any Eligible Persons selected by the Board in accordance with the terms of the Scheme
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) with a par value of US\$0.0001 each in the capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is a subsidiary (within the meaning given under Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere and “Subsidiaries” are construed accordingly
“Trust”	CStone Pharmaceuticals restricted share award scheme trust constituted under the Trust Deed or other trust(s) from which Restricted Shares may be granted to a Selected Participant pursuant to the Scheme
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the Scheme
“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 Scheme or any additional or replacement trustee(s)
“Vesting Date”	any Share held by the Trustee on behalf of a Selected Participant pursuant to the provisions of the Rules vests in such Selected Participant in accordance with the vesting schedule (if any) as set out in the grant letter
“%”	per cent

By Order of the Board  
**CStone Pharmaceuticals**  
**Dr. Frank Ningjun Jiang**  
*Chairman*

Shanghai, 22 March 2019

*As at the date of this announcement, the Board of Directors of the Company comprises Dr. Frank Ningjun Jiang as Chairman and Executive Director, Dr. Wei Li, Mr. Qun Zhao, Mr. Xiaomeng Tong, Mr. Guobin Zhang and Dr. Lian Yong Chen as Non-executive Directors, and Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun as Independent Non-executive Directors.*