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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 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)

**PROPOSALS FOR GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of CStone Pharmaceuticals to be held at Level 7 Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, June 20, 2019 at 9:00 a.m. is set out on pages 14 to 19 of this circular. A form of proxy for use at the annual general meeting 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 meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, on 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 meeting (i.e. by no later than 9:00 a.m. on Tuesday, June 18, 2019). Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

May 21, 2019

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Level 7 Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, June 20, 2019 at 9:00 a.m. or any adjournment thereof, the notice of which is set out on pages 14 to 19 of this circular
“Articles of Association”	the fourth articles of association of the Company, adopted on January 30, 2019 by shareholders of the Company, with effect from February 26, 2019, and as amended from time to time
“Board”	the board of directors of the Company
“Company”	CStone Pharmaceuticals, an exempt company incorporated under the laws of the Cayman Islands with limited liability on December 2, 2015, whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“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”	May 15, 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares on the terms set out in the notice convening the Annual General Meeting

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value of US\$0.0001 each in the capital of the Company
“Shareholder(s)” or “Member(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
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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. Frank Ningjun Jiang

Non-executive Directors:

Dr. Wei Li

Mr. Qun Zhao

Mr. Yanling Cao

Mr. Guobin Zhang

Dr. Lian Yong Chen

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

Principal place of business

in Hong Kong:

40th Floor, Sunlight Tower

No. 248 Queen's Road East

Wanchai, Hong Kong

May 21, 2019

To the Shareholders

Dear Sir or Madam

**PROPOSALS FOR GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to, among other things, provide the Shareholders with the notice of Annual General Meeting and to provide you with information regarding the following proposals to be put forward at the Annual General Meeting: (i) the grant to the Directors of general mandates to issue Shares and repurchase Shares; and (ii) the re-election of the retiring Directors.

LETTER FROM THE BOARD

2. GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

In order to ensure greater flexibility for the Company to issue new Shares, an ordinary resolution no. 5 will be proposed at the Annual General Meeting to grant to the Directors a general mandate to exercise the powers of the Company to allot and issue new Shares in the share capital of the Company of up to 20 per cent of the total number of Shares in issue as at the date of the passing of the resolution in relation to such general mandate. As at the Latest Practicable Date, the Company had 1,012,010,532 Shares in issue. Subject to the passing of the ordinary resolution no. 5 and on the basis that there is no change to the number of issued shares before the Annual General Meeting, the Company will be allowed to issue a maximum of 202,402,106 Shares. In addition, subject to a separate approval of the ordinary resolution no. 7, the number of Shares bought back by the Company under ordinary resolution no. 6 will also be added to the 20 per cent general mandate as mentioned in the ordinary resolution no. 5. The Directors wish to state that they have no immediate plans to issue any new Shares pursuant to such general mandate, other than Shares which may fall to be allotted and issued upon the exercise of any options or the settlement of any RSUs granted under the relevant equity incentivization scheme(s) of the Company. For more details about the share incentivization schemes of the Company, please refer to the 2018 annual report published by the Company.

In addition, an ordinary resolution will be proposed at the Annual General Meeting to approve the general mandate to the Directors to exercise the powers of the Company to repurchase Shares, representing up to 10 per cent of the total number of Shares in issue as at the date of the passing of the resolution in relation to such general mandate.

An explanatory statement required by the Listing Rules in connection with the Repurchase Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

3. RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 16.19 of the Articles of Association, the number of Directors retiring by rotation at each annual general meeting shall not be less than one-third of the Directors for the time being, and any retiring Director shall be eligible for re-election at the same annual general meeting. Accordingly, Dr. Frank Ningjun Jiang, the executive Director, Dr. Wei Li and Mr. Qun Zhao, the non-executive Directors, will retire by rotation and shall be eligible to offer themselves for re-election at the Annual General Meeting.

Further, pursuant to Article 16.3 of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Yanling Cao, who was appointed by the Board as non-executive Director on May 15, 2019 whose appointment became effective on the same date to fill a casual vacancy created by the resignation of Mr. Xiaomeng Tong, will be retiring and be subject to the re-election at the Annual General Meeting.

LETTER FROM THE BOARD

The Board is of the view that each of the Directors proposed to be re-elected has extensive working experience in the industry and will contribute to the Group in promoting diversity of the Board. The biographical details of the above retiring Directors who are subject to re-election at the Annual General Meeting are set out in Appendix I to this circular in accordance with the relevant requirements of the Listing Rules.

4. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, June 17, 2019 to Thursday, June 20, 2019, both days inclusive, during which period no share transfers can be registered.

In order to be eligible for attending and voting at the Annual General Meeting, 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, on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, June 14, 2019.

5. NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 14 to 19 of this circular is the notice of the Annual General Meeting at which ordinary resolutions will be proposed to the Shareholders to consider and approve, among other things, (i) the grant to the Directors of the general mandates to issue Shares and repurchase Shares; and (ii) the re-election of the retiring Directors.

6. FORM OF PROXY

A form of proxy is enclosed for use at the Annual General Meeting. 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 Annual General Meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting (i.e. by no later than 9:00 a.m. on Tuesday, June 18, 2019). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish and in such event, the form of proxy shall be deemed to be revoked.

7. 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 Annual General Meeting shall therefore demand voting on all resolutions set out in the notice of Annual General Meeting be taken by way of poll pursuant to Article 13.6 of the Articles of Association.

LETTER FROM THE BOARD

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, having made all reasonable enquires, 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 Annual General Meeting in the manner prescribed under the Listing Rules.

8. RESPONSIBILITY STATEMENT

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.

9. RECOMMENDATION

The Directors consider that the proposed resolutions, including but without limitation to, the granting to the Directors of the general mandates to issue Shares and repurchase Shares and the re-election of the retiring Directors are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully
By order of the Board
CStone Pharmaceuticals
Dr. Frank Ningjun Jiang
Chairman

The following are the biographical details of the Directors (as required by the Listing Rules) who will retire and are eligible to offer themselves to be re-elected at the Annual General Meeting.

DIRECTOR CANDIDATES

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 58, has been our Chief Executive Officer since July 2016, and was designated as a Director in November 2016 and redesignated as the executive Director in October 2018 and appointed as the Chairman of our Board on August 14, 2018.

Dr. Jiang has over a decade of work experience in China and Asia. He first joined Sanofi (NYSE: SNY, EPA: SAN) in China in July 2006 and served as its Global VP (Clinical Operations) from July 2008 to November 2010, during which period he significantly improved clinical operations and efficiency of Sanofi. From November 2010 to June 2016, Dr. Jiang served as Global VP and Head of Asia Pacific R&D with Sanofi China and led the R&D expansion efforts in the Asia Pacific region. Dr. Jiang was responsible for developing and implementing regional R&D strategies to develop innovative healthcare solutions and bring global drugs to the Asia Pacific region faster. During his term of service with Sanofi, he oversaw 79 clinical trials and Sanofi obtained 30 new drug approvals in the Asia Pacific region. During his time in China, he established several collaborations with Chinese academic institutions specially to develop innovative medicines in China.

Before coming to China, Dr. Jiang was the global clinical research director at Sanofi US from July 2002 to June 2006, during which period he headed an approximately 21,000-patient megatrial (ExTRACT) comparing enoxaparin with unfractionated heparin for acute myocardial infarction, which resulted in the successful global registration of a blockbuster drug Lovenox. Prior to Sanofi US, Dr. Jiang was a team leader in the clinical research of cardiovascular disease at Eli Lilly and Company in the United States, where he was a key member of a Phase II trial with an anti-inflammatory agent for the treatment of patients with suspected sepsis and organ failure.

Dr. Jiang was certified as a physician in the United States by the Educational Commission for Foreign Medical Graduates in May 1995.

Dr. Jiang received his M.D. in medicine from Nanjing Medical University (formerly known as Nanjing Medical College) in Jiangsu, China in December 1982 and a Ph.D. in immunology from the University of British Columbia in Canada in November 1992. He completed a postdoctoral fellowship in clinical chemistry in 1994, an internship in internal medicine in June 1997, and a clinical residency in internal medicine in June 1999 at Washington University School of Medicine in the United States.

The Company entered into a service agreement with Dr. Jiang on February 19, 2019. Pursuant to the relevant service agreement, Dr. Jiang would not receive any remuneration in his capacity as a Director, though he may receive salary in the capacity of him being a member of the senior management of the Company. As at the Latest Practicable Date, no remunerations have been paid to Dr. Jiang in his capacity as a Director. The remunerations payable to him as an executive Director, the Chief Executive Officer of the Company and the Chairman of the Board are fixed by the Board (if any) and reviewed from time to time taking into consideration recommendation from the compensation committee of the Company with reference to the performance and profitability of the Company as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the Latest Practicable Date, Dr. Jiang was interested in 62,525,736 Shares, representing approximately 6.18% of the total number of Shares in issue. Save as disclosed above, Dr. Jiang did not have any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Dr. Wei Li, Ph.D., aged 47, has been a Director since December 2015. Dr. Li was re-designated as a non-executive Director on October 29, 2018.

Dr. Li has over 20 years of experience in the biotech industry. He serves as the Managing Partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures II, L.P. since July 2015.

During his scientific research career, Dr. Li has first-authored numerous scientific publications in journals including Science, Proceedings of the National Academy of Sciences, and Journal of Biological Chemistry.

Dr. Li received a Ph.D. in chemistry from Harvard University in the United States in November 1998, and an MBA from the J. L. Kellogg School of Management at Northwestern University in the United States in June 2003. He graduated with a Bachelor of Science in chemical physics from the University of Science and Technology of China in Anhui, China in July 1993.

Dr. Li has not entered into any service contract with the Company, nor is he appointed for a specific term. No remunerations have been paid to Dr. Li in respect of the financial year ended December 31, 2018. His remunerations (if any) are fixed by the Board and reviewed from time to time taking into consideration recommendation from the compensation committee of the Company with reference to the performance and profitability of the Company as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the Latest Practicable Date, Dr. Li did not have any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

**APPENDIX I BIOGRAPHICAL DETAILS OF RETIRING DIRECTORS
PROPOSED FOR RE-ELECTION**

Mr. Qun Zhao (趙群), aged 43, has been a Director since April 2016. Mr. Zhao was re-designated as a non-executive Director on October 29, 2018.

Mr. Zhao has been a partner of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司), which is a limited partner of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), the sole general partner of Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業(有限合夥)), one of the substantial Shareholders, since December 2013.

Mr. Zhao has 14 years of experience in pharmaceutical enterprise management. He worked in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600535), from January 1998 to October 2006 where his last position was quality assurance manager. Subsequently, he served in his last position as vice general manager at Tasly Biopharmaceuticals Co., Ltd. (天士力生物醫藥股份有限公司) (previously known as Shanghai Tasly Pharmaceutical Co., Ltd. (上海天士力藥業有限公司)) from October 2006 to February 2012.

Mr. Zhao received an MBA from Nankai University (南開大學) in Tianjin, China in June 2006 and graduated with a Bachelor's degree in pharmaceutical analysis from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1998.

Mr. Zhao has not entered into any service contract with the Company, nor is he appointed for a specific term. No remunerations have been paid to Mr. Zhao in respect of the financial year ended December 31, 2018. His remunerations (if any) are fixed by the Board and reviewed from time to time taking into consideration recommendation from the compensation committee of the Company with reference to the performance and profitability of the Company as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Zhao did not have any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Mr. Yanling Cao (曹彥凌), aged 35, was a Director from April 1, 2016 to March 27, 2017 and re-appointed as a non-executive Director on May 15, 2019 effective on the same date.

Since May 2016, Mr. Cao has been serving as a non-executive director of Wuxi Biologics (Cayman) Inc. (a company listed on the Stock Exchange with stock code 2269). He has also been serving as the managing director of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司) and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry. In addition, Mr. Cao is a director of WuXi Biologics Holdings Limited, Life Science Holdings, New WuXi Life Science Holdings Limited, WuXi PharmaTech (Cayman) Inc., WuXi NextCode Holdings Limited and New WuXi Life Science Investment Limited. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC and was responsible for private

equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC and was responsible for providing investment banking advisory services to clients in Asia.

Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006.

Mr. Cao has entered into a letter of appointment with the Company on May 15, 2019. His remunerations (if any) will be fixed by the Board and reviewed from time to time taking into consideration recommendation from the compensation committee of the Company with reference to the performance and profitability of the Company as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Cao did not have any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best knowledge of the Company, none of the Directors who stands for re-election (i) holds any directorships in other listed public companies in Hong Kong or overseas in the last three years; (ii) holds any other positions with the Company and its subsidiaries; and (iii) has any other relationship with any Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

In addition, as far as the Directors are aware, there is no other matter concerning the four aforementioned retiring Directors that needs to be brought to the attention of the Shareholders and there is no information relating to these Directors required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

The following is an explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the Annual General Meeting in relation to the granting of the Repurchase Mandate.

LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back their shares on the Stock Exchange subject to certain restrictions if, among other things:

- (a) the shares proposed to be purchased by the company are fully paid-up;
- (b) the company has previously sent to its shareholders an explanatory statement complying with the provisions of Rule 10.06(1)(b) of the Listing Rules; and
- (c) the shareholders of the company have given a specific approval or a general mandate to the directors of the company to make the purchase(s), by way of an ordinary resolution which complies with Rule 10.06(1)(c) of the Listing Rules and which has been passed at a general meeting of the company duly convened and held.

The company must report the outcome of the general meeting called to consider the proposed purchase to the Stock Exchange immediately following the meeting.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had 1,012,010,532 Shares in issue and fully paid-up. It is proposed that pursuant to the Repurchase Mandate, up to a maximum of 10 per cent of the number of issued Shares as at the date of passing of the Repurchase Resolution may be repurchased. Subject to the passing of the resolution granting the general mandate and on the basis that there is no change to the number of the issued Shares before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 101,201,053 Shares which represent 10 per cent of the total number of shares of the Company in issue as at the date of the passing of the resolution.

REASONS AND FUNDING OF THE REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Company is empowered by its memorandum and articles of association to repurchase its Shares. In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and laws of the Cayman Islands and/or any other applicable laws (as the case may be).

The Directors would only exercise the power to repurchase Shares in circumstances where they consider that the repurchase would be in the best interests of the Company.

The Directors propose that any of such repurchases of Shares would be appropriately financed by the Company's internal resources and/or available banking facilities. The Directors consider that if the general mandate to repurchase Shares is to be exercised in full at the current prevailing market value, it may have a material adverse impact on the working capital and the gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their close associates, as defined in the Listing Rules, currently intend to sell any Shares to the Company or its subsidiaries, if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Repurchase Mandate.

As of the Latest Practicable Date, the largest Shareholder, WuXi Healthcare Ventures II, L.P. directly held 292,881,444 Shares, representing approximately 28.94% of the total number of Shares in issue. 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.. In the event that the Directors exercise in full the power of the Company to repurchase Shares pursuant to the Repurchase Mandate, the shareholding interests of WuXi Healthcare Ventures II, L.P. and WuXi Healthcare Management, LLC would increase from approximately 28.94% to approximately 32.16%. Such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Repurchase Mandate to such an extent so as to trigger a mandatory offer.

In addition, the Directors do not have any intention to exercise the proposed Repurchase Mandate to the effect that it will result in the public float to fall below the percentage as required under the Listing Rules or such other minimum percentage agreed by the Stock Exchange from time to time.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares (whether on the Stock Exchange or otherwise) have been made by the Company during the period from February 26, 2019, the listing date of the Company, up to and including the Latest Practicable Date.

SHARE PRICES

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous months since the listing of Shares on the Stock Exchange on February 26, 2019 up to the Latest Practicable Date were as follows:

	Highest traded price <i>HK\$</i>	Lowest traded price <i>HK\$</i>
Month 2019		
26 to 28, February	14.50	12.34
March	16.90	12.06
April	16.90	13.20
May (up to the Latest Practicable Date)	14.20	13.08

NOTICE OF ANNUAL GENERAL MEETING



CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of CStone Pharmaceuticals (the “**Company**”) will be held at Level 7 Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, June 20, 2019 at 9:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended December 31, 2018.
2. (i) To re-elect Dr. Frank Ningjun Jiang as an executive director of the Company (each a “**Director**”);

(ii) To re-elect Dr. Wei Li as a non-executive Director;

(iii) To re-elect Mr. Qun Zhao as a non-executive Director; and

(iv) To re-elect Mr. Yanling Cao as a non-executive Director.
3. To authorise the board of directors to fix the remuneration of the Directors.
4. To re-appoint Deloitte Touche Tohmatsu as auditors and authorise the board of Directors to fix their remuneration.
5. To consider and, if thought fit, pass the following resolutions as ordinary resolutions with or without amendments:

“That:

- (i) subject to paragraph (iii) below and in substitution for all previous authorities, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants, debentures and notes convertible into shares of the Company (the “**Shares**”)) which may require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and other rights, or issue warrants and other securities, which would or might require the exercise of such powers after the end of the Relevant Period;

- (iii) the total number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to:
 - (1) a Rights Issue (as hereinafter defined);

 - (2) the grant or exercise of any option under any option scheme of the Company or any other scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire Shares;

 - (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or

 - (4) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares,

shall not exceed the 20 per cent of the total number of shares of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and that this resolution shall be limited by the applicable rules and requirements of the Stock Exchange as amended from time to time, including the restrictions for using the issuance mandate to issue (i) securities convertible into new Shares for cash consideration, if the initial conversion price of such convertible securities is lower than the Benchmarked Price (as hereinafter defined) of the Shares at the time of the relevant placing; and (ii) warrants, options or similar rights to subscribe for new Shares or securities convertible into new Shares for cash consideration;

- (iv) in the event the Company conducts a share consolidation or subdivision, the maximum number of Shares that may be issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same; and

NOTICE OF ANNUAL GENERAL MEETING

- (v) for the purpose of this resolution:
- (a) “**Benchmarked Price**” means the higher of (1) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate to be approved under this resolution; and (2) the average closing price in the 5 trading days immediately prior to the earlier of: (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate to be approved under this resolution; (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate to be approved under this resolution; and (iii) the date on which the placing or subscription price is fixed;
- (b) “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
 - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company (the “**Shareholders**”) in general meeting; and
- (c) “**Rights Issue**” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions with or without amendments:

“That:

- (i) subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Code on Share Buy-backs and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **“Listing Rules”**), be and is hereby generally and unconditionally approved;
- (ii) the total number of Shares, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent of the total number of Shares in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors and which are still in effect be and are hereby revoked; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

7. To consider and, if thought fit, pass the following resolutions as ordinary resolutions with or without amendments:

“**That** conditional upon the resolutions numbered 5 and 6 set out in the notice convening this meeting being passed, the general mandates granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 5 set out in the notice convening this meeting be and is hereby extended by the addition to the total number of shares of the Company which may be allotted by the directors pursuant to such general mandates by such number of shares bought back by the Company under the authority granted pursuant to ordinary resolution numbered 6 set out in the notice convening this meeting, provided that such amount shall not exceed 10 per cent of the total number of Shares in issue at the date of passing of the said resolutions.”

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

Hong Kong, May 21, 2019

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

*Principal place of business
in Hong Kong:*

40th Floor, Sunlight Tower
No. 248 Queen’s Road East Wanchai,
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (i) Ordinary resolution numbered 7 will be proposed to the Shareholders for approval provided that ordinary resolutions numbered 5 and 6 above are passed by the Shareholders.
- (ii) 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 of the Company.
- (iii) 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.
- (iv) In order to be valid, a form of proxy must be deposited the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, on 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 notorially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting 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.
- (v) For determining the entitlement to attend and vote at the above meeting, the transfer books and register of members will be closed from Monday, June 17, 2019 to Thursday, June 20, 2019 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 of the Company 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, on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 14, 2019.
- (vi) In respect of ordinary resolutions numbered 2 above, Dr. Frank Ningjun Jiang, Dr. Wei Li, Mr. Qun Zhao and Mr. Yanling Cao shall retire and being eligible, will offer themselves for re-election at the above meeting. The biographical details of the above retiring directors are set out in Appendix I to the accompanied circular dated May 21, 2019.
- (vii) In respect of the ordinary resolution numbered 5 above, the directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the Shareholders as a general mandate for the purposes of the Listing Rules.
- (viii) In respect of ordinary resolution numbered 6 above, the directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The explanatory statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated May 21, 2019.

As at the date of this notice, the Board of Directors of the Company comprises Dr. Frank Ningjun Jiang as Chairman and Executive Director, Dr. Wei Li, Mr. Qun Zhao, Mr. Yanling Cao, 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.