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**CStone Pharmaceuticals**

**基石藥業**

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

**(Stock Code: 2616)**

- (1) PROPOSED ISSUE OF NEW SHARES UNDER THE POST-IPO RSU SCHEME PURSUANT TO SPECIFIC MANDATE;**
- (2) CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE POST-IPO RSU SCHEME PURSUANT TO SPECIFIC MANDATE; AND**
- (3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
溢博資本有限公司

Pursuant to the Post-IPO RSU Scheme, 10,120,105 restricted share units were granted to Dr. Jiang on August 15, 2019. To provide flexibility to the Company given the current market conditions, the Company has amended the underlying grant letters to its restricted share unit grantees to provide that the restricted share units granted to grantees (including Dr. Jiang and other grantees who are Independent Third Parties) may be satisfied through the issuance of new Shares.

The vesting of the restricted share units granted to Dr. Jiang is subject to a time-based vesting schedule and specific performance-based conditions which include full satisfaction of (i) the achievement of annual corporate goals for each of the financial years 2019 through 2021, (ii) market capitalization milestones and (iii) target share price and trading volume milestones to be achieved by March 31, 2020.

As the vesting performance condition relating to target share price and trading volume milestones was not satisfied on March 31, 2020, the vesting of 1,012,010 restricted share units granted to Dr. Jiang has lapsed and the total number of remaining restricted share units granted to Dr. Jiang has been automatically adjusted to 9,108,095.

Accordingly, in order to satisfy the grant of restricted share units to Dr. Jiang, an aggregate of 9,108,095 New Shares will be allotted and issued to Dr. Jiang as and when the restricted share units vest. As calculated at the date of grant, being August 15, 2019, the New Shares represent approximately 0.90% of the total issued share capital of the Company and approximately 0.88% of the enlarged issued share capital of the Company, assuming no additional Shares will be issued except for the issue of the New Shares to Dr. Jiang. As calculated at the date of this announcement, the New Shares represent approximately 0.88% of the existing total issued share capital of the Company and 0.88% of the total issued share capital of the Company as enlarged by the issue of the New Shares (assuming no change in the total issued share capital of the Company between the date of this announcement and the date of issue of the New Shares).

The aggregate nominal value of the New Shares is US\$910.8095. Based on the closing market prices per Share of HK\$10.52 as at the date of grant and HK\$7.76 as at the date of this announcement, the market value of the New Shares were approximately HK\$95.8 million and HK\$70.7 million, respectively.

The New Shares, when issued and fully paid, shall rank *pari passu* in all respects with the Shares in issue as at the date of issue of the New Shares.

#### **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the allotment and issue of the New Shares described herein.

#### **LISTING RULES IMPLICATIONS**

The grant of restricted share units to Dr. Jiang representing 9,108,095 Shares upon vesting under the Post-IPO RSU Scheme forms part of the remuneration package under his service contract with the Company and has been approved by the Board (including but not limited to the independent non-executive Directors of the Company), save that Dr. Jiang has abstained from approving the Board resolution relating to the grant of restricted share units to him. As the grant of restricted share units to Dr. Jiang forms part of the remuneration package under his service contract with the Company, such grant is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Given the amendment of grant letters to indicate that new Shares would be issued to satisfy the vesting of restricted share units, the New Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the AGM. Dr. Jiang is the Chairman, executive Director and chief executive officer of the Company and accordingly a connected person of the Company. Hence, the Issuance constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Issuance is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. A resolution would be proposed at the AGM to obtain the Independent Shareholders' approval for the grant of the Specific Mandate to the Directors for the Issuance.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Issuance. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Issuance and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Issuance, and the notice convening the AGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders on or before May 22, 2020.

### **PROPOSED ISSUE OF NEW SHARES PURSUANT TO THE POST-IPO RSU SCHEME AND CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE POST-IPO RSU SCHEME PURSUANT TO SPECIFIC MANDATE**

Reference is made to the announcements of the Company dated March 22, 2019 and January 31, 2020 in relation to the adoption of the Post-IPO RSU Scheme, amendment to the Post-IPO RSU Scheme and the grant of the restricted share units pursuant to the Post-IPO RSU Scheme. The Post-IPO RSU Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

Pursuant to the Post-IPO RSU Scheme, 10,120,105 restricted share units were granted to Dr. Jiang on August 15, 2019. To provide flexibility to the Company given the current market conditions, the Company has amended the underlying grant letters to its restricted share unit grantees to provide that the restricted share units granted to grantees (including Dr. Jiang and other grantees who are Independent Third Parties) may be satisfied through the issuance of new Shares.

The vesting of the restricted share units granted to Dr. Jiang is subject to a time-based vesting schedule and specific performance-based conditions which include full satisfaction of (i) the achievement of annual corporate goals for each of the financial years 2019 through 2021, (ii) market capitalization milestones and (iii) target share price and trading volume milestones to be achieved by March 31, 2020.

As the vesting performance condition relating to target share price and trading volume milestones was not satisfied on March 31, 2020, the vesting of 1,012,010 restricted share units granted to Dr. Jiang has lapsed and the total number of remaining restricted share units granted to Dr. Jiang has been automatically adjusted to 9,108,095.

Accordingly, in order to satisfy the grant of restricted share units to Dr. Jiang, an aggregate of 9,108,095 New Shares will be allotted and issued to Dr. Jiang as and when the restricted share units vest. As calculated at the date of grant, being August 15, 2019, the New Shares represent approximately 0.90% of the total issued share capital of the Company and approximately 0.88% of the enlarged issued share capital of the Company, assuming no additional Shares will be issued except for the issue of the New Shares to Dr. Jiang. As calculated at the date of this announcement, the New Shares represent approximately 0.88% of the existing total issued share capital of the Company and 0.88% of the total issued share capital of the Company as enlarged by the issue of the New Shares (assuming no change in the total issued share capital of the Company between the date of this announcement and the date of issue of the New Shares).

The aggregate nominal value of the New Shares is US\$910.8095. Based on the closing market prices per Share of HK\$10.52 as at the date of grant and HK\$7.76 as at the date of this announcement, the market value of the New Shares were approximately HK\$95.8 million and HK\$70.7 million, respectively.

No funds will be raised by the Company as a result of the issue and allotment of the New Shares.

### **Vesting Schedule**

The restricted share units granted to Dr. Jiang shall vest in installments as follows (i) 25% of the total number of restricted share units shall vest on July 15, 2020 and (ii) the remaining restricted share units shall vest in 36 equal monthly-installments thereafter. The expiration date of the restricted share units shall be the earlier of (i) the tenth anniversary of the date of grant and (ii) the date of termination of Dr. Jiang's employment.

### **Ranking of the New Shares**

The New Shares, when issued and fully paid, shall rank *pari passu* in all respects with the Shares in issue as at the date of issue of the New Shares.

### **Conditions precedent**

The Issuance of the New Shares is conditional on (i) the approval by the Independent Shareholders at the AGM in respect of the allotment and issue of the New Shares, the Specific Mandate and the transactions contemplated therein; and (ii) the Listing Committee having granted the approval for the listing of, and permission to deal in the New Shares.

### **Specific Mandate**

The New Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the AGM. The Specific Mandate, if approved, will be valid until the completion of the vesting of the relevant restricted share units based on the time-based vesting schedule commencing from the relevant date of grant. As Dr. Jiang, being a Director of the Company, is a connected person of the Company, the New Shares will be issued and allotted pursuant to the Specific Mandate, which will be subject to approval by the Independent Shareholders at the AGM with Dr. Jiang and his associates abstaining from voting.

## **Application for Listing**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the New Shares and (ii) other new Shares to be issued pursuant to the vesting of restricted share units granted to other grantees under the Post-IPO RSU Scheme.

## **FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS**

The Company has not conducted any fund raising activity in the past 12 months immediately preceding the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE ISSUANCE**

Similar to the purposes and the objectives of the Post-IPO RSU Scheme, the Issuance is aiming to (i) recognise the contributions by the relevant selected participant, namely Dr. Jiang; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for him to achieve performance goals; and (iv) to motivate the selected participant to maximise the value of the Company for the benefits of both the selected participant and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participant directly to the Shareholders through ownership of Shares. As the vesting of the restricted share units granted to Dr. Jiang is subject to a time-based vesting schedule and specific performance-based conditions, the Board believes that such performance-based conditions will serve as motivation for Dr. Jiang to contribute and promote the growth in revenue and profitability of the Group in order to obtain the benefit of the restricted share units granted. Further, the long vesting schedule of the restricted share units granted will serve as an incentive for Dr. Jiang's continuing commitment and contribution to the long-term growth of the Group. Accordingly, the Directors (excluding the independent non-executive Directors, whose view will be given after considering the advice of the Independent Financial Adviser, and Dr. Jiang, who abstained) are of the opinion that, while the Issuance is not in the ordinary and usual course of business of the Company, the Issuance and the grant of Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The grant of restricted share units to Dr. Jiang representing 9,108,095 Shares upon vesting under the Post-IPO RSU Scheme forms part of the remuneration package under his service contract with the Company and has been approved by the Board (including but not limited to the independent non-executive Directors of the Company), save that Dr. Jiang has abstained from approving the Board resolution relating to the grant of restricted share units to him. As the grant of restricted share units to Dr. Jiang forms part of the remuneration package under his service contract with the Company, such grant is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Given the amendment of grant letters to indicate that new Shares would be issued to satisfy the vesting of restricted share units, the New Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the AGM. Dr. Jiang is the Chairman, executive Director and chief executive officer of the Company and accordingly a connected person of the Company. Hence, the Issuance constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Issuance is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. A resolution would be proposed at the AGM to obtain the Independent Shareholders' approval for the grant of the Specific Mandate to the Directors for the Issuance. In the event that any additional Shares are required to be issued to Dr. Jiang in the future upon the vesting of the restricted share units granted to Dr. Jiang pursuant to the Post-IPO RSU Scheme, the Company will seek further approval from the Independent Shareholders in accordance with the applicable requirements under the Listing Rules.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for Dr. Jiang and his associates, no Shareholder has a material interest in the Issuance. As such, no Shareholder other than Dr. Jiang and his associates will abstain from voting on the resolution for approving the Issuance to be proposed at the AGM. Apart from Dr. Jiang, no Director has a material interest in the transactions contemplated thereunder and no Director abstained from voting on the relevant Board resolution(s).

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Issuance. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Issuance and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Issuance, and the notice convening the AGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders on or before May 22, 2020.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Rainbow Capital, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Issuance.

## **INFORMATION OF THE COMPANY**

The Company is a biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and precision medicines to address the unmet medical needs of cancer patients in China and worldwide. Established in 2015, the Company has assembled a world-class management team with extensive experience in innovative drug development, clinical research, and commercialization. The Company has built an oncology-focused pipeline of 15 drug candidates with a strategic emphasis on immuno-oncology combination therapies. Currently, five late-stage candidates are at pivotal trials. With an experienced team, a rich pipeline, a robust clinical development-driven business model and substantial funding, the Company's vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative oncology therapies to cancer patients worldwide.

## **INFORMATION OF DR. JIANG**

Dr. Jiang has been the chief executive officer of the Company since July 2016, and was designated as the executive Director in November 2016 and appointed as the Chairman of the 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 (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) 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.

## DEFINITIONS

“AGM”	the annual general meeting of the Company to be held at Function Room 2, 3rd Floor, Kerry Hotel Pudong Shanghai, No.1388 HuaMu Road, Pudong, Shanghai, China on Tuesday, June 23, 2020 at 9:00 a.m. or any adjournment thereof
“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
“Dr. Jiang”	Dr. Frank Ningjun Jiang, the chairman, executive Director and chief executive officer 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
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser approved by the Independent Board Committee and appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Issuance
“Independent Shareholders”	the shareholders of the Company other than those who are required to abstain under the Listing Rules from voting at the AGM for the resolution(s) approving the transactions contemplated hereunder
“Independent Third Party(ies)”	person(s) who is/are independent of the Company and its connected persons and their respective associates
“Issuance”	the proposed allotment and issuance of an aggregate of 9,108,095 New Shares to Dr. Jiang as and when the restricted share units granted to him under the Post-IPO RSU Scheme on August 15, 2019 vest
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing approval



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Shares”	a total of 9,108,095 Shares to be issued to Dr. Jiang pursuant to the vesting of the restricted share units granted to him under the Post-IPO RSU Scheme on August 15, 2019
“Post-IPO RSU Scheme”	the restricted share award scheme adopted by the Company on March 22, 2019 and restated and amended by the Company on December 10, 2019 and January 7, 2020, as amended from time to time
“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)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate sought from Independent Shareholders at the AGM to allot and issue the New Shares to Dr. Jiang in accordance with the vesting schedule and conditions under the Post-IPO RSU Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Suzhou, People’s Republic of China, May 21, 2020

*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. 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.*