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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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**CStone Pharmaceuticals**  
**基石藥業**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2616)**

**PROPOSED GRANT OF SHARE OPTIONS,  
CONNECTED TRANSACTION,  
PROPOSALS FOR SPECIFIC MANDATE TO ISSUE SHARES  
TO A CONNECTED PERSON,  
PROPOSALS FOR GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES,  
RE-ELECTION OF RETIRING DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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

**RAINBOW.**

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

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A notice convening the AGM of CStone Pharmaceuticals 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. is set out on pages 56 to 61 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cstonepharma.com](http://www.cstonepharma.com)).

A letter from the board of directors of the Company is set out on pages 4 to 22 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 23 of this circular. A letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 24 to 39 of this circular.

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 Sunday, June 21, 2020). 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 22, 2020



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## DEFINITIONS

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

“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, the notice of which is set out on pages 56 to 61 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
“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

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## DEFINITIONS

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“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 Issuance and the grant of the Specific Mandate
“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
“Latest Practicable Date”	May 15, 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“Options”	option(s) to subscribe for or acquire Shares which is granted under the Post-IPO ESOP
“Options Announcement”	the announcement of the Company dated August 15, 2019 in relation to, among others, the proposed grant of Options to Dr. Jiang
“Pre-IPO Incentivization Plan”	the pre-IPO employee equity plan adopted by the Company on July 7, 2017 and as amended from time to time
“Post-IPO ESOP”	the post-IPO employee share option plan adopted by the Company on January 30, 2019, with effect on February 26, 2019

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## DEFINITIONS

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“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
“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 AGM
“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)
“Specific Mandate”	a specific mandate sought from Independent Shareholders at the AGM to allot and issue New Shares to Dr. Jiang in accordance with the vesting schedule and vesting conditions under the Post-IPO RSU Scheme
“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.

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## LETTER FROM THE BOARD

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### 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 22, 2020

*To the Shareholders*

Dear Sir or Madam

**PROPOSED GRANT OF SHARE OPTIONS,  
CONNECTED TRANSACTION,  
PROPOSALS FOR SPECIFIC MANDATE TO ISSUE SHARES  
TO A CONNECTED PERSON,  
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 following:

- (i) the notice of AGM and forms of proxy;

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## LETTER FROM THE BOARD

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- (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Issuance;
- (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Issuance; and
- (iv) information regarding the following proposals to be put forward at the AGM:
  - (a) the grant of Options to Dr. Jiang, details of which were disclosed in the Options Announcement;
  - (b) the Issuance;
  - (c) the grant to the Directors of general mandates to issue Shares and repurchase Shares; and
  - (d) the re-election of the retiring Directors.

### **2. GRANT OF OPTIONS TO DR. JIANG**

Reference is made to the Options Announcement. On August 15, 2019, the Company conditionally granted certain Options to Dr. Jiang (being the chairman, executive Director and the chief executive officer of the Company), entitling him to subscribe for 40,480,421 Shares (representing approximately 4.00% of the total issued share capital of the Company as at the date of grant, approximately 3.93% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 3.78% of the enlarged issued share capital of the Company, assuming all such Options are fully vested and exercised and no additional Shares will be issued except for the purpose of satisfaction of such Options conditionally granted to Dr. Jiang) under the Post-IPO ESOP, in accordance with the terms thereof, subject to Dr. Jiang's acceptance, fulfilment of certain vesting performance conditions and future adjustments and approval by the Shareholders in the AGM. As at the Latest Practicable Date, none of the Options conditionally granted to Dr. Jiang have vested and no Shares have been issued for the purpose of satisfaction of the Options conditionally granted to Dr. Jiang.

The vesting of the Options conditionally granted to Dr. Jiang is subject to a time-based vesting schedule and specific performance-based vesting 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. The Board believes that Dr. Jiang will help to promote the growth in revenue and profitability of the Group in order to obtain the benefit of the Options.

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## LETTER FROM THE BOARD

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As the vesting performance condition relating to target share price and trading volume milestones was not satisfied on March 31, 2020, 4,048,042 Options conditionally granted to Dr. Jiang has lapsed and the total number of Shares to be issued upon full vesting and exercise of the remaining Options conditionally granted to Dr. Jiang has been automatically adjusted to 36,432,379 Shares (representing approximately 3.60% of the total issued share capital of the Company as at the date of grant, approximately 3.54% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 3.42% of the enlarged issued share capital of the Company, assuming all such Options are fully vested and exercised and no additional Shares will be issued except for the purpose of satisfaction of such Options conditionally granted to Dr. Jiang). Save for described above, there is no other performance target that must be achieved before the Options can be exercised.

As at the Latest Practicable Date, save and except for the Options disclosed in this circular, 20,291,000 Options have been granted under the Post-IPO ESOP to 126 eligible participants since the effective date of the Post-IPO ESOP on February 26, 2019. Under the Post-IPO ESOP, the Company may grant Options to eligible participants to subscribe for a maximum of 98,405,153 Shares, being 10% of the Shares in issue as at the date of listing of the Shares on February 26, 2019. As at the Latest Practicable Date, save and except for the Options disclosed in this circular, there are 78,114,153 remaining Options that can be granted under the Post-IPO ESOP.

The Directors consider that it is not appropriate to state the value of the Options conditionally granted to Dr. Jiang as if they had been granted as at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Options granted to Dr. Jiang shall not be assignable, and no holder of the Options shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option.



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## LETTER FROM THE BOARD

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Principal terms of the proposed grant of Options to Dr. Jiang are set out below:

Date of grant:	August 15, 2019
Total number of Shares to be subscribed upon exercise of the Options granted:	40,480,421
Consideration for the grant:	HK\$1.00 to be paid by Dr. Jiang upon acceptance of the Options granted.
Subscription price of the Options granted:	HK\$10.69 per Share represents the higher of (i) the closing price of the Shares of HK\$10.52 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant and (ii) the average closing price of the Shares of HK\$10.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant.
Closing price of the Shares on the date of grant:	HK\$10.52 per Share.
Vesting commencement date	The Options shall vest on a time-based vesting schedule starting from August 15, 2019.
Vesting schedule:	The Options shall vest in installments as follows (i) 25% of the total number of Options granted shall vest on July 15, 2020 and (ii) the remaining Options shall vest in 36 equal monthly-installments thereafter.
Validity period of the Options under the grant:	The validity period of the Options shall be subject to the relevant grant letter to the grantee, which in any event must not be more than ten years from the date of grant and the Options shall lapse at the expiry of such validity period.

None of the Directors is a trustee of the Post-IPO ESOP nor has a direct or indirect interest in the trustee(s) of the Post-IPO ESOP.

The Shares to be allotted upon exercise of the Options shall rank *pari passu* with the Shares then in issue in all respects, including voting rights, entitlement to dividends, transfer and other rights (including those arising on liquidation of the Company) paid or made on or

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## LETTER FROM THE BOARD

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after the relevant exercise date of the Options. The Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

### **Listing Rules Implications**

The proposed grant of Options to Dr. Jiang has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. It has also been reviewed and approved by the remuneration committee of the Company. Pursuant to the note to Rule 17.03(4) of the Listing Rules, where any further grant of share options to a grantee would result in the Shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of shares of the Company in issue, such further grant must be separately approved by the Shareholders in general meeting.

As the total number of Shares to be issued upon full vesting and exercise of the Options granted to Dr. Jiang represents over 1% of the Shares in issue as at the date of grant, pursuant to the note to Rule 17.03(4) of the Listing Rules, the grant of the Options to Dr. Jiang will be subject to approval by the Shareholders in the AGM with Dr. Jiang and his associates abstaining from voting. As at the Latest Practicable Date, Dr. Jiang beneficially held 16,181,068 Shares. In addition, 6,760,000 Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor (representing an aggregate of approximately 0.66% of the total issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, the Directors were not aware that any Shareholders had stated their intention to vote against the resolution approving the grant of Options at the general meeting.

The grant of Options to Dr. Jiang forms part of the remuneration package under his service contract with the Company. The grant of Options 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 voting on the relevant resolution of the Board relating to the grant of Options. Save as disclosed above, no further grant of Options under the Post-IPO ESOP is subject to the approval of the Shareholders pursuant to the Listing Rules.

### **Reasons for the Grant of the Options**

The purpose of the proposed grant of the Options is to attract and retain employees, to reward eligible employee, officer, director, contractor, advisor or consultant of the Group for their past contribution to the Company, to provide incentives to the employees to further contribute to the Group and to align their interests with the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Board and the compensation committee of the Board utilise both Options (under the Post-IPO ESOP) and restricted share units (under the Post-IPO RSU Scheme) to create attractive incentives for employees.

In determining the ratio between the amount of Options and restricted share units granted to Dr. Jiang, the Board considered that the Options which have an exercise price linked to the market price of the Shares should account for a larger portion. Given that the Options granted to Dr. Jiang are subject to exercise at the exercise price disclosed in the Options Announcement, the Board is of the view that such award serves as a strong incentive for Dr. Jiang to promote the future growth and development of the Company, as Dr. Jiang will not receive any benefit from the relevant Options granted to him unless there is further increase in the share price of the Company.

In granting the restricted share units to Dr. Jiang, the Board considered that the underlying value of the Shares at the time of vesting of the restricted share units will serve as motivation for Dr. Jiang to promote the future development and success of the Company in order to increase the share price of the Company throughout the vesting schedule of the restricted share units granted.

As such, the Company is of the view that the awards granted to Dr. Jiang consisting of both Options and restricted share units are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The proposed grant of Options to Dr. Jiang represents approximately 4.00% of the total issued share capital of the Company as at the date of grant and approximately 3.93% of the total issued share capital of the Company as at the Latest Practicable Date, which exceeds the 1% threshold under Rule 17.03(4). In considering the amount of Options to be granted to Dr. Jiang, the Board took into consideration that Dr. Jiang serves as the sole executive Director, Chairman and Chief Executive Officer of the Company and plays a vital role in the leadership of the Company. Further, Dr. Jiang's industry expertise and extensive knowledge of the Company's portfolio drug candidates is fundamental in the development and commercialization of the Company's pipeline of products. As such, the Board considered that the amount of Options proposed to be granted to Dr. Jiang is fair and reasonable and provides sufficient incentive for Dr. Jiang to continue to contribute to the Group. As the vesting of the Options conditionally granted to Dr. Jiang is subject to a time-based vesting schedule and specific performance-based conditions as described in this circular, 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 Options. Further, in view of the long vesting schedule of the conditionally granted Options, the proposed grant of the Options serve as an incentive for Dr. Jiang's continuing commitment and contribution to the long-term growth of the Group.

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## LETTER FROM THE BOARD

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The grant of Options to Dr. Jiang is subject to approval by the Shareholders in general meeting with Dr. Jiang and his associates abstaining from voting. In the event that Shareholders' approval in general meeting for the proposed grant of Options to Dr. Jiang is not obtained, the Company shall, pursuant to the terms of the Post-IPO ESOP, revoke the conditional grant of Options to Dr. Jiang in its entirety and publish further announcements where appropriate.

In view of the above, the Board (including the independent non-executive Directors) considers that the proposed grant of Options to Dr. Jiang is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### Effects on the Shareholding Structure of the Company upon Full Vesting and Exercise of the Grant of Options to Dr. Jiang

For illustrative purposes only, the following table shows the changes in the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company assuming the Options granted to Dr. Jiang under the Post-IPO ESOP are vested and exercised in full and that there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to the full vesting and exercise of such Options:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issuance of new Shares assuming full vesting and exercise of the Options granted to Dr. Jiang	
	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>
WuXi Healthcare Ventures II, L.P. <sup>(2)</sup>	293,381,444	28.48%	293,381,444	27.51%
Graceful Beauty Limited <sup>(3)</sup>	146,950,948	14.26%	146,950,948	13.78%
Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (“Zhengze Yuanshi”) <sup>(4)</sup>	98,216,972	9.53%	98,216,972	9.21%
GIC Private Limited <sup>(5)</sup>	72,020,472	6.99%	72,020,472	6.75%
Dr. Jiang	22,941,068 <sup>(6)</sup>	2.23%	59,373,447 <sup>(7)</sup>	5.57%
Other public shareholders	396,672,483	38.51%	396,672,483	37.19%
<b>Total:</b>	<b>1,030,183,387</b>	<b>100.00%</b>	<b>1,066,615,766</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) The calculation is based on the total number of 1,030,183,387 Shares in issue as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. 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.
- (3) As at the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.
- (4) As at the Latest Practicable Date, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, 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)), a limited partnership established in China, in which 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) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.
- (5) As at the Latest Practicable Date, Tetrad Ventures Pte Ltd directly held 48,392,472 Shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte Ltd, which in turn is wholly-owned by GIC Private Limited. GIC Private Limited acting as an investment manager also held 23,628,000 Shares. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte Ltd is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.
- (6) As at the Latest Practicable Date, Dr. Jiang (i) beneficially held 16,181,068 Shares and (ii) is deemed to be interested in 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor. For the avoidance of doubt, this does not include (i) Dr. Jiang's entitlement to receive up to 8,633,336 Shares upon the full vesting and exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options, (ii) Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions, and (iii) 9,108,095 New Shares to be issued to Dr. Jiang upon full vesting of the restricted share units granted to him under the Post-IPO RSU Scheme, pursuant to the paragraph headed "3. Issue of the New Shares under Specific Mandate" below.
- (7) Includes (i) 16,181,068 Shares beneficially held by Dr. Jiang as at the Latest Practicable Date, (ii) 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor, and (iii) Dr. Jiang's entitlement to receive up to 36,432,379 Shares upon the full vesting and exercise of Options granted to him under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options. For the avoidance of doubt, this does not include (i) Dr. Jiang's entitlement

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## LETTER FROM THE BOARD

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to receive up to 8,633,336 Shares upon the full vesting and exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (ii) Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions; and (iii) 9,108,095 New Shares to be issued to Dr. Jiang upon full vesting and exercise of the restricted share units granted to him under the Post-IPO RSU Scheme, pursuant to the paragraph headed "3. Issue of the New Shares under Specific Mandate" below.

### 3. ISSUE OF THE NEW SHARES UNDER SPECIFIC MANDATE

Pursuant to the Post-IPO RSU Scheme, 10,120,105 restricted share units were granted to Dr. Jiang on August 15, 2019. Upon full vesting of such restricted share units, 10,120,105 Shares will be allotted and issued to Dr. Jiang, representing approximately 1.00% of the total issued share capital of the Company as at the date of grant and approximately 0.99% of the enlarged issued share capital of the Company as at the date of grant (assuming no additional Shares will be issued except for the issue of Shares to Dr. Jiang upon full vesting of such restricted share units). 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 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 0.89% of the enlarged issued share capital of the Company, assuming no additional Shares will be issued except for the issue of New Shares to Dr. Jiang. As calculated at the Latest Practicable Date, 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 New Shares (assuming no change in the total issued share capital of the Company between the Latest Practicable Date and the date of issue of New Shares).

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## LETTER FROM THE BOARD

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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\$7.60 as at the Latest Practicable Date, the market value of the New Shares were approximately HK\$95.8 million and HK\$69.2 million, respectively.

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.

The New Shares, when issued and fully paid, shall rank *pari passu* in all respects with the Shares in issue as the date of issue of New Shares. No funds will be raised by the Company as a result of the issue and allotment of 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 in the AGM with Dr. Jiang and his associates abstaining from voting.

### **Application for Listing**

The Issuance of the New Shares is conditional on, among other things, the Listing Committee of the Stock Exchange granting the listing approval in respect of the New Shares. 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.

### **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

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## LETTER FROM THE BOARD

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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.



## LETTER FROM THE BOARD

### 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 individual 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 Company is of the view that the Issuance is in the best interest of the Company and its Shareholders as a whole.

### Effects on the Shareholding Structure of the Company upon Completion of Issuance

For illustrative purpose only, the following table shows the changes to the shareholding structure of the Company as a result of the Issuance, assuming no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the date of the completion of such Issuance:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon Issuance	
	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>
WuXi Healthcare Ventures II, L.P. <sup>(2)</sup>	293,381,444	28.48%	293,381,444	28.23%
Graceful Beauty Limited <sup>(3)</sup>	146,950,948	14.26%	146,950,948	14.14%
Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. ("Zhengze Yuanshi") <sup>(4)</sup>	98,216,972	9.53%	98,216,972	9.45%
GIC Private Limited <sup>(5)</sup>	72,020,472	6.99%	72,020,472	6.93%
Dr. Jiang	22,941,068 <sup>(6)</sup>	2.23%	32,049,163 <sup>(7)</sup>	3.08%
Other public shareholders	396,672,483	38.51%	396,672,483	38.17%
<b>Total:</b>	<b>1,030,183,387</b>	<b>100.00%</b>	<b>1,039,291,482</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) The calculation is based on the total number of 1,030,183,387 Shares in issue as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. 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.
- (3) As at the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.
- (4) As at the Latest Practicable Date, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, 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)), a limited partnership established in China, in which 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) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.
- (5) As at the Latest Practicable Date, Tetrad Ventures Pte Ltd directly held 48,392,472 Shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte Ltd, which in turn is wholly-owned by GIC Private Limited. GIC Private Limited acting as an investment manager also held 23,628,000 Shares. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte Ltd is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.
- (6) As at the Latest Practicable Date, Dr Jiang (i) beneficially held 16,181,068 Shares and (ii) is deemed to be interested in 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor. For the avoidance of doubt, this does not include (i) Dr. Jiang's entitlement to receive up to 8,633,336 Shares upon the full vesting and exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (ii) Dr. Jiang's entitlement to receive up to 36,432,379 Shares upon the full vesting and exercise of Options conditionally granted to him on August 15, 2019 under the Post-IPO ESOP pursuant to the paragraph headed "2. Grant of Options to Dr. Jiang" above, subject to the vesting and other conditions of those Options and taking into consideration the lapse of 4,048,042 Options, and (iii) Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions.
- (7) Includes (i) 16,181,068 Shares beneficially held by Dr. Jiang, (ii) 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor and (iii) 9,108,095 New Shares to be issued to Dr. Jiang upon full vesting of the restricted share units granted to him under the Post-IPO RSU Scheme. For the avoidance of doubt, this does not include (i) Dr. Jiang's entitlement to receive up to 8,633,336 Shares upon the full vesting and exercise

## LETTER FROM THE BOARD

of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (ii) Dr. Jiang's entitlement to receive up to 36,432,379 Shares upon the full vesting and exercise of Options conditionally granted to him on August 15, 2019 under the Post-IPO ESOP pursuant to the paragraph headed "2. Grant of Options to Dr. Jiang" above, subject to the vesting and other conditions of those Options and taking into consideration the lapse of 4,048,042 Options, and (iii) Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions.

### Effects on the Shareholding Structure of the Company upon full vesting and exercise of the Grant of Options to Dr. Jiang and the Issuance

For illustrative purposes only, the following table shows the changes in the shareholding structure of the Company, assuming (i) the Options granted to Dr. Jiang under the Post-IPO ESOP on August 15, 2019 are vested and exercised in full; (ii) completion of the Issuance of New Shares; (iii) no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the dates of the full vesting and exercise of the Options and the date of completion of the Issuance and (iv) excluding the options and restricted share units granted to Dr. Jiang which have not yet been vested and exercised (as the case may be) under the Pre-IPO Incentivization Plan:

Name of Shareholders	As at the Latest Practicable Date		Immediately after (i) the allotment and issuance of new Shares assuming full vesting and exercise of the Options and (ii) upon the Issuance	
	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>	No. of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>
WuXi Healthcare Ventures II, L.P. <sup>(2)</sup>	293,381,444	28.48%	293,381,444	27.27%
Graceful Beauty Limited <sup>(3)</sup>	146,950,948	14.26%	146,950,948	13.66%
Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. ("Zhengze Yuanshi") <sup>(4)</sup>	98,216,972	9.53%	98,216,972	9.13%
GIC Private Limited <sup>(5)</sup>	72,020,472	6.99%	72,020,472	6.70%
Dr. Jiang	22,941,068 <sup>(6)</sup>	2.23%	68,481,542 <sup>(7)</sup>	6.37%
Other public shareholders	396,672,483	38.51%	396,672,483	36.87%
<b>Total:</b>	<b>1,030,183,387</b>	<b>100.00%</b>	<b>1,075,723,861</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) The calculation is based on the total number of 1,030,183,387 Shares in issue as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. 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..
- (3) As at the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.
- (4) As at the Latest Practicable Date, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, 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)), a limited partnership established in China, in which 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) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.
- (5) As at the Latest Practicable Date, Tetrad Ventures Pte Ltd directly held 48,392,472 Shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte Ltd, which in turn is wholly-owned by GIC Private Limited. GIC Private Limited acting as an investment manager also held 23,628,000 Shares. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte Ltd is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.
- (6) As at the Latest Practicable Date, Dr Jiang (1) beneficially held 16,181,068 Shares and (2) is deemed to be interested in 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor. For the avoidance of doubt, this does not include Dr. Jiang's entitlement to receive up to 8,633,336 Shares upon the full vesting and exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options and Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions.
- (7) Includes (1) 16,181,068 Shares beneficially held by Dr. Jiang; (2) 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated November 21, 2018, of which Dr. Jiang is the trustor (3) Dr. Jiang's entitlement to receive up to 36,432,379 Shares pursuant to the full vesting and exercise of Options granted to him under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options and (4) 9,108,095 New Shares to be issued to Dr. Jiang upon full vesting of the restricted share units granted

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## LETTER FROM THE BOARD

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to him under the Post-IPO RSU Scheme. For the avoidance of doubt, this does not include Dr. Jiang's entitlement to receive up to 8,633,336 Shares upon the full vesting and exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options and Dr. Jiang's entitlement to restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions.

### **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 before the Latest Practicable Date.

### **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 in the AGM to obtain the Independent Shareholders' approval for the grant of the Specific Mandate to the Directors for the Issuance. 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.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the AGM will be voted by way of a poll by the Shareholders.

### **General**

Your attention is drawn to the letter from the Independent Board Committee set out on page 23 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 24 to 39 of this circular which contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Your attention is also drawn to the additional information set out in Appendix I to this circular.

### **4. 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. 7 will be proposed at the AGM 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% 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 1,030,183,387 Shares in issue. Subject to the passing of the ordinary resolution no. 7 and on the basis that there is no change to the number of issued shares before the AGM, the Company will be allowed to issue a maximum of 206,036,677 Shares. In addition, subject to a separate approval of the ordinary resolution no. 9, the number of Shares bought back by the Company under ordinary resolution no. 8 will also be added to the 20% general mandate as mentioned in the ordinary resolution no. 7. 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 share incentivization scheme(s) of the Company. For more details about the share incentivization schemes of the Company, please refer to the 2019 annual report published by the Company.

In addition, an ordinary resolution will be proposed at the AGM to approve the general mandate to the Directors to exercise the powers of the Company to repurchase Shares, representing up to 10% 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 III 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 AGM.

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## LETTER FROM THE BOARD

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### 5. 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, Mr. Guobin Zhang and Dr. Lian Yong Chen, as non-executive Directors, and Mr. Ting Yuk Anthony Wu, as independent non-executive Director, will retire by rotation and shall be eligible to offer themselves for re-election at the AGM.

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 AGM are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

### 6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, June 18, 2020 to Tuesday, June 23, 2020, both days inclusive, during which period no share transfers can be registered.

In order to be eligible for attending and voting at the AGM, 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 Wednesday, June 17, 2020.

### 7. NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 56 to 61 of this circular is the notice of the AGM at which ordinary resolutions will be proposed to the Shareholders to consider and approve, among other things, (i) the grant of Options to Dr. Jiang; (ii) the Issuance under Specific Mandate; (iii) the grant to the Directors of the general mandates to issue Shares and repurchase Shares; and (iv) the re-election of the retiring Directors.

### 8. FORM OF PROXY

A form of proxy is enclosed for use at the AGM. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cstonepharma.com](http://www.cstonepharma.com)). Whether or not you intend to be present at the AGM, 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 AGM (i.e. by no later than 9:00 a.m. on Sunday, June 21, 2020). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the AGM if they so wish and in such event, the form of proxy shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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### 9. 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 AGM shall therefore demand voting on all resolutions set out in the notice of AGM be taken by way of poll pursuant to Article 13.6 of the Articles of Association.

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, except that Dr. Jiang and his associates are required to abstain from voting on resolution no. 5 in relation to the grant of Options to Dr. Jiang and resolution no. 6 in relation to the Issuance. The results of the poll will be published on the websites of the Stock Exchange and the Company after conclusion of the AGM in the manner prescribed under the Listing Rules.

### 10. 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.

### 11. RECOMMENDATION

The Directors consider that the proposed resolutions, including but without limitation to, the grant of Options to Dr. Jiang, the issuance of the New Shares under Specific Mandate, the grant 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 AGM.

Also, the Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) 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 the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the AGM enclosed in this circular.

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





**CStone Pharmaceuticals**  
**基石藥業**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2616)**

May 22, 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

**ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER  
SPECIFIC MANDATE**

We refer to the circular dated May 22, 2020 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires. We, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Issuance, the details of which are set out in the letter from the Board contained in the Circular. Rainbow Capital (HK) Limited has been appointed to advise us, the Independent Board Committee, and the Independent Shareholders in relation to the Issuance. We wish to draw your attention to the letter from the Board, and the letter from the Independent Financial Adviser containing its advice in respect of the Post-IPO RSU Scheme and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the New Shares) as set out in the Circular. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that while the Issuance is not in the ordinary and usual course of business of the Group, the terms of the Post-IPO RSU Scheme, the transactions contemplated thereunder and the Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the AGM to approve the Issuance and the grant of the Specific Mandate for the allotment and issuance of the New Shares.

Yours faithfully  
For and on behalf of the  
Independent Board Committee  
**Dr. Paul Herbert Chew**  
**Mr. Ting Yuk Anthony Wu**  
**Mr. Hongbin Sun**  
*Independent non-executive Directors*

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## LETTER FROM RAINBOW CAPITAL

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*The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Issuance, which has been prepared for the purpose of incorporation in this circular.*

**Rainbow Capital (HK) Limited**

May 22, 2020

*To the Independent Board Committee and the Independent Shareholders*

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

Dear Sir or Madam,

### **CONNECTED TRANSACTION ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the allotment and issue of the New Shares to Dr. Jiang under the Specific Mandate, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 22 May 2020 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 15 August 2019, 10,120,105 restricted share units were granted to Dr. Jiang pursuant to the Post-IPO RSU Scheme. 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.73(6) and Rule 14A.95 of the Listing Rules. Given that certain vesting performance conditions relating to target share price and trading volume milestones were not fulfilled on 31 March 2020, the vesting of certain 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 (i.e. the New Shares).

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## LETTER FROM RAINBOW CAPITAL

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The New Shares shall be allotted and issued pursuant to the Specific Mandate. As Dr. Jiang is the chairman, executive director and chief executive officer of the Company and is therefore a connected person of the Company, the allotment and issue of the New Shares to Dr. Jiang constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Specific Mandate shall be sought for the allotment and issue of the New Shares at the AGM. Dr. Jiang and his associates shall abstain from voting in respect of the ordinary resolution approving the Issuance and the Specific Mandate.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun, has been formed to advise the Independent Shareholders on whether (i) the Issuance is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Issuance are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group. Accordingly, we are qualified to give independent advice in respect of the Issuance.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group were true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

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## LETTER FROM RAINBOW CAPITAL

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We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or its substantial shareholders, subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

#### 1. Background of the Group and the grant of the New Shares

Founded in 2015, the Group is a clinical-stage biopharmaceutical company focused on developing and commercialising innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment with the vision to become globally recognised as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide. As at the Latest Practicable Date, among the Group's 15 cancer drug candidates, five were in pivotal late-stage clinical development, of which two have received new drug application (“NDA(s)”) approvals from the Food and Drug Administration of the United States (the “U.S. FDA”). Under a critical juncture, subject to regulatory approval, the Group plans to commercialise its first product by the end of 2020 and another product in 2021 in Taiwan and launch several other products in 2021 in mainland China with well-established local operation.

Up to the Latest Practicable Date, the Group has no products approved for commercial sale and has not generated any revenue from product sales. The Group has never been profitable and has incurred operating losses in each year since inception. For the two years ended 31 December 2019, adjusted loss excluding the effect of the loss on fair value changes of the conversion feature of preferred shares and share-based payment expenses were approximately RMB672.6 million and RMB1,141.3 million, respectively. The losses were primarily resulted from research and development expenses and administrative expenses.

As disclosed in the announcement of the Company dated 24 January 2020, the Group has established a clinical development-driven business model, assembled a clinical team with significant experience in translational medicine and clinical development and built a risk-balanced product pipeline of 15 drug candidates that focus on oncology and range from pre-clinical stage to late-stage clinical programs as at the Latest Practicable Date. In 2020, the Group plans to receive an NDA approval in Taiwan for one of its drug candidates which may become the Group's first commercialised product in the Greater China region and to submit five NDAs in mainland China and/or Taiwan for three of its drug candidates. The Group expects to launch another drug in Taiwan in 2021 and several other drugs in mainland China in 2021.

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## LETTER FROM RAINBOW CAPITAL

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As part of its incentive scheme, the Company has adopted the Post-IPO RSU Scheme on 22 March 2019 (as restated and amended on 10 December 2019 and 7 January 2020) with the aim to (i) recognise the contributions of any employee or director of any member of the Group; (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; and (iv) motivate them to maximise the value of the Company. Further details of the Post-IPO RSU Scheme are set out in the Company's announcements (the "**Announcements**") dated 22 March 2019 and 31 January 2020 and the Company's annual reports for the two years ended 31 December 2019 (the "**2018 Annual Report**" and the "**2019 Annual Report**", respectively).

On 15 August 2019, 10,120,105 restricted share units were granted to Dr. Jiang to recognise his past contribution and incentivise his continual support to the Group and his effort in promoting the Group's long-term growth and development. Given that certain vesting performance conditions relating to target share price and trading volume milestones were not fulfilled on 31 March 2020, the vesting of certain 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 (i.e. the New Shares). Further details of the New Shares and Dr. Jiang are set out in the Letter from the Board and this letter below.

### 2. Details of the New Shares under the Post-IPO RSU Scheme

The major terms and features of the New Shares are summarised below:

Number of the New Shares	:	The aggregate of 9,108,095 New Shares to be allotted and issued by the Company represent approximately 0.88% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.88% of the total number of Shares in issue as enlarged by the allotment and issue of the New Shares (assuming there is no change in the total issued share capital of the Company between the Latest Practicable Date and the date of allotment and issue of the New Shares).
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The New Shares shall be allotted and issued pursuant to the Specific Mandate to be proposed for voting by the Independent Shareholders at the AGM. 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, the New Shares.

Dr. Jiang is not required to pay any consideration for the grant of the New Shares. No fund shall be raised by the Company as a result of the allotment and issue of the New Shares.

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## LETTER FROM RAINBOW CAPITAL

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Market value of the New Shares : Based on the closing price of HK\$10.52 per Share as quoted on the Stock Exchange as at the date of grant (i.e. 15 August 2019), the market value of 9,108,095 New Shares was approximately HK\$95.8 million.

Based on the closing price of HK\$7.60 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of 9,108,095 New Shares was approximately HK\$69.2 million.

Performance conditions : The vesting of the New Shares is subject to time-based vesting schedule and specific performance-based conditions including full satisfaction of (i) the achievement of annual corporate goals for each of the financial years 2019 through 2021; (ii) certain market capitalisation milestones; and (iii) target share price and trading volume milestone to be achieved by 31 March 2020.

Vesting period of the New Shares : The vesting of the New Shares is subject to Dr. Jiang remaining at all times after the grant date and on the date of vesting an eligible person, subject to the rules of the Post-IPO RSU Scheme.

25% of the New Shares shall vest on 15 July 2020 and the remaining 75% shall vest monthly in equal installments over the following 36 months, provided that the Compensation Committee has the discretion to accelerate the vesting schedule. The expiration date of the New Shares 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.

Conditions : The allotment and issue of the New Shares shall be subject to, among other things:

- (i) the approval by the Independent Shareholders at the AGM in respect of the Specific Mandate for the allotment and issue of the New Shares; and
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares.

Further details on the Post-IPO RSU Scheme and the New Shares are set out in the Announcements, the 2019 Annual Report and the Letter from Board.

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## LETTER FROM RAINBOW CAPITAL

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### 3. Information on Dr. Jiang

After the Group was founded in December 2015, Dr. Jiang joined the Group in July 2016 as the chief executive officer of the Company (the “CEO”), responsible for overseeing and managing the day-to-day operation of the Group with the support from the Group’s management team. Dr. Jiang has been the sole executive Director since November 2016 and the chairman of the Board since August 2018, and is responsible for the Group’s overall strategic planning and business direction. Dr. Jiang is also the chairman of the Strategy Committee of the Board, the primary functions of which are to review and advise on the Group’s mid to long term strategic positioning and development plans and to monitor the implementations of the Group’s development plans. The Group has been highly dependent on the management team led by Dr. Jiang as the CEO and sole executive Director since his joining in July 2016.

The table below summarises the experience and achievement of Dr. Jiang prior to joining the Group:

<b>Period of service</b>	<b>Company name</b>	<b>Position</b>	<b>Major responsibilities</b>	<b>Major achievement</b>
November 2010 to June 2016	Sanofi China	Global VP and Head of Asia Pacific R&D	Developed and implemented regional research and development (“R&D”) strategies to develop innovative healthcare solutions and bring global drugs to the Asia Pacific region faster	(i) Oversaw 79 clinical trials and obtained 30 NDAs in the Asia Pacific region; and  (ii) Established several collaborations with Chinese academic institutions specially to develop innovative medicines in China
July 2008 to November 2010	Sanofi China	Global VP (Clinical Operations)	Clinical operations	Improved clinical operations and efficiency of Sanofi
July 2002 to June 2006	Sanofi US	Global Clinical Research Director	Clinical research	Headed an approximately 21,000-patient megatrial, which resulted in the successful global registration of a blockbuster drug Lovenox

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## LETTER FROM RAINBOW CAPITAL

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Period of service	Company name	Position	Major responsibilities	Major achievement
Before July 2002	Eli Lilly and Company	Clinical Research Physician	Clinical research	A key member of a Phase II trial with an anti-inflammatory agent for the treatment of patients with suspected sepsis and organ failure

As shown in the table above, Dr. Jiang possesses a full spectrum of complementary skillsets from research to clinical development and commercialisation with a proven track record which we consider relevant to the Group’s operations. Dr. Jiang is also a U.S. Board certified physician (Internal Medicine). Further details of the biographical information of Dr. Jiang are set out in the 2019 Annual Report and the Letter from the Board.

Since Dr. Jiang joined the Group in July 2016 as the CEO and was appointed as the sole executive Director in November 2016 and with the support from the Group’s management team, the Group has achieved the following key business development milestones (the “**Milestones**”):

- (i) the Group has established a clinical development-driven business model and assembled a team that consists of members with extensive experience in the pharmaceutical industry including (a) the Scientific Advisory Board of the Company which comprises four internationally renowned immune-oncologists, strengthening the Group’s R&D capabilities and enhancing the Group’s product pipeline; and (b) the General Manager for Greater China and Head of Commercial Operations which is responsible for the establishment of the Group’s commercialisation capabilities and the launch of multiple products in the Greater China region;
- (ii) the Group obtained exclusive licenses from Agios Pharmaceuticals, Inc. and Blueprint Medicines Corporation in June 2018 to develop and commercialise four molecularly targeted compounds in the Greater China region;
- (iii) the Group submitted an NDA for ivosidenib through a third party to the Taiwan Food and Drug Administration (the “**TFDA**”) for the treatment of relapsed or refractory acute myeloid leukemia in the first half of 2019;
- (iv) the Group entered into an exclusive regional licensing agreement with Numab Therapeutics AG in April 2019 for the development and commercialisation of a multi-functional drug candidate in the Greater China region, South Korea and Singapore and potential immunotherapy;



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## LETTER FROM RAINBOW CAPITAL

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- (v) the Group entered into a global clinical collaboration with Bayer HealthCare LLC in May 2019 to evaluate its immuno-oncology drug in combination with Bayer's drug, as a treatment for multiple cancers including gastric cancer;
- (vi) the Group entered into an agreement with a state-owned enterprise in August 2019 to build an approximately 100,000 square meters R&D center and manufacturing facility in the Suzhou Industrial Park for large and small molecule drug development and commercial production, the construction of which is expected to commence in the first half of 2020;
- (vii) the Group entered into an agreement with Jiangsu Industrial Technology Research Institute in October 2019 to form an innovation center to further promote collaboration with industry partners and innovation centers in China and around the world;
- (viii) the Group submitted NDAs for avapritinib to the TFDA and the China National Medical Products Administration for the treatment of gastrointestinal stromal tumor in March and April 2020;
- (ix) the Group has been launching various clinical trials for its drug candidates and built a risk-balanced product pipeline of 15 drug candidates ranging from pre-clinical stage to late-stage clinical programs as at the Latest Practicable Date; and
- (x) among the Group's 15 cancer drug candidates as at the Latest Practicable Date, five were in pivotal late-stage clinical development, of which two have received NDA approvals from the U.S. FDA in July 2018 and January 2020, respectively.

Based on our review on Dr. Jiang's background and the Group's major achievements as disclosed in the Company's prospectus dated 14 February 2019, the 2018 Annual Report, the 2019 Annual Report and the Company's public announcements, we concur with the Directors' view that the Group's management team, being led by Dr. Jiang as the CEO and sole executive Director, is capable of having a significant influence on the development of the Group and is critical to the Group's transition from a R&D focused organisation into a commercial-stage biopharmaceutical company.

As at Latest Practicable Date, Dr. Jiang (i) was beneficially interested in 16,181,068 Shares; (ii) was deemed to be interested in 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated 21 November 2018, of which Dr. Jiang is the trustor; (iii) was interested in 8,633,336 share options and 23,315,832 restricted share units (collectively, the "**Pre-IPO Share-based Payments**") granted on 1 July 2016 and 1 July 2018, respectively, under the Pre-IPO Incentivisation Plan; (iv) was conditionally interested in 36,432,379 Options granted under the Post-IPO ESOP, subject to, among other things, the approval by the Shareholders at the AGM; and (v) was conditionally interested in 9,108,095 New Shares granted on 15 August 2019 under the Post-IPO RSU Scheme, the issuance of which is subject to, among other things, the approval by the Independent Shareholders at the AGM. Each of the aforesaid share options and restricted share units is with a vesting period of four years.

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## LETTER FROM RAINBOW CAPITAL

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### 4. Reasons for and benefits of the Issuance

As set out in the paragraph headed “3. Information on Dr. Jiang” above, with the support from the Group’s management team led by Dr. Jiang as the CEO and sole executive Director, the Group has achieved the Milestones over the years and prepared to transit from clinical stage to commercialisation in 2020. The Directors believe that the future success and continual development of the Group are closely linked to the commitment and effort of its management team under the leadership of Dr. Jiang. As stated in the Letter from the Board, the Issuance serves to incentivise, retain and reward Dr. Jiang for his past contribution to the development and growth of the Group, and to align his interest with those of the Company and the Shareholders as a whole through ownership of Shares. In determining the amount of the New Shares granted to Dr. Jiang, the Company has mainly considered various factors, including but not limited to (i) the importance of the roles and responsibilities of Dr. Jiang; (ii) the past performance and contribution of Dr. Jiang to the development of the Group; (iii) Dr. Jiang’s expected contribution to the Group from his continuous support; and (iv) his emolument level.

We have reviewed the background and work experience of Dr. Jiang and noted that his expertise and experience are relevant to the Group’s operations. We have also discussed with the management of the Group and understand that replacing executive officers or key employees in the biopharmaceutical industry may be difficult and may take a prolonged period of time given the limited number of individuals in the industry with the breadth of expertise and experience required to successfully develop, gain regulatory approval of and commercialise drug products. Maintaining a stable and experienced management team is therefore critical to the development and expansion of biopharmaceutical companies. Taking into account that (i) the New Shares shall vest in tranches over a four-year period; and (ii) the vesting of the New Shares is subject to, among other things, fulfillment of certain performance conditions and Dr. Jiang remaining at all times employed by the Group after the grant date and on the vesting date, we consider that these features are designed to motivate Dr. Jiang’s continuing commitment and contribution towards the development of the Group with his expertise and experience and ensure stability of the Group’s operations, promoting the growth in revenue and profitability of the Group. This is particularly important when the Group is preparing to enter into the commercialisation stage. The retention of Dr. Jiang through the grant of the New Shares can minimise any potential disruption to the existing operations of the Group resulting from the lack of continuity of leadership. On this basis, we consider that the grant of the New Shares is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We also noted that among the 15 Comparable Companies (as defined in the paragraph headed “5. Assessment of fairness and reasonableness of the Issuance” below), 8 have disclosed the vesting period of their Pre-IPO and/or post-IPO share award or restricted share unit schemes ranging from zero to five years, in which 5 are or can be subject to certain performance conditions. Accordingly, we consider that the grant of the New Shares under the Post-IPO RSU Scheme, the vesting period of the New Shares and the imposition of performance conditions are in line with the market practice.

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## LETTER FROM RAINBOW CAPITAL

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We have also reviewed the Group's internal remuneration policy which sets out, among other things, (i) the objective of remunerating directors and employees of the Company; (ii) how the remuneration packages of directors and employees of the Company are determined; and (iii) the salary structure of directors and employees of the Company. As set out in such policy, the Group aims to provide equitable and market-competitive remuneration packages, which may comprise fixed and variable components, that support the performance culture and enable the achievement of strategic goals. We consider that the grant of the New Shares complies with the Group's internal remuneration policy and serves to provide a competitive remuneration package to Dr. Jiang for his ongoing service with the Group and the attainment of the Group's vision.

As set out in the paragraph headed "6. Financial effects of the Issuance" below, the allotment and issue of the New Shares will have no effect on the cash flow of the Group other than the compensation expenses recognised over the vesting period of the New Shares. As compared to cash bonuses which will result in an immediate cash outflow of the Group and share options where the grantees are required to pay the exercise price upon exercise of the share options and the timing of exercise of the share options will depend on the Share prices, we consider that the grant of the New Shares and the Issuance provide an immediate incentive and reward to Dr. Jiang who is crucial to the development of the Group.

### **5. Assessment of fairness and reasonableness of the Issuance**

The Company is a pre-revenue biotech company and was listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. In assessing the fairness and reasonableness of the Issuance, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of biotech companies listed on the Stock Exchange under Chapter 18A of the Listing Rules (the "**Comparable Company(ies)**") and considered the remuneration packages of executive directors, who are chairman/chairwoman and/or chief executive officers (the "**Chief Executive(s)**"), of the Comparable Company(ies) for the year ended 31 December 2019.

Set out below is a summary of (i) the remuneration packages of the Chief Executives of the Comparable Companies for the year ended 31 December 2019; (ii) the equity interests held in the Comparable Companies by the relevant Chief Executives as at the Latest Practicable Date; (iii) the proportions of total remuneration over total operating expenses of the Comparable Companies for the year ended 31 December 2019; (iv) the vesting periods of any pre-IPO and/or post-IPO share awards or restricted share units granted by the Comparable Companies; and (v) the performance conditions of any of these pre-IPO and/or post-IPO share awards or restricted share units:

# LETTER FROM RAINBOW CAPITAL

	Name of Chief Executive	Title of Chief Executive	Name of Comparable Companies	Stock code	Fee, salaries, bonuses, allowances, benefits in kind and retirement benefit scheme contributions	Remuneration package					Performance condition of share awards or restricted share units granted	
						Performance related bonus	Share-based payment expense	Total	Percentage of equity interest held by Chief Executive	Percentage of total remuneration over total operating expenses		Vesting period of share awards or restricted share units granted
1	Dr. Jisong Cui	Chairperson and Chief Executive Officer	InnoCare Pharma Ltd. – B (Note 1)	9969	2,653,000	–	14,123,000	16,776,000	8.9%	3.8%	4 to 5 years	Milestone-based requirements
2	Mr. John V. Oyler	Chairman and Chief Executive Officer	BeiGene, Ltd. (Note 2)	6160	7,079,400	3,753,600	85,070,100	95,903,100	8.2%	1.0%	4 years	Performance targets
3	Dr. De-Chao Michael Yu	Chairman and Chief Executive Officer	Innovent Biologics, Inc. – B	1801	2,912,000	12,120,000	60,632,000	75,664,000	9.6%	2.6%	5 years	No performance targets
4	Mr. Jun Xiong	Chairman of the Board	Shanghai Junshi Biosciences Co., Ltd. – B	1877	3,775,000	720,000	–	4,495,000	27.7%	0.3%	N/A	N/A
5	Dr. Ning Li	Chief Executive	Shanghai Junshi Biosciences Co., Ltd. – B	1877	6,812,000	660,000	–	7,472,000	0.0%	0.5%	N/A	N/A
6	Mr. Scott Shi-Kau Liu	Chief Executive Officer	Shanghai Henlius Biotech, Inc. – B	2696	2,507,000	1,432,000	–	3,939,000	11.3%	0.4%	4 years	Product milestones and annual performance review
7	Mr. Min Frank Zeng	Chairman of the Board	Venus Medtech (Hangzhou) Inc. – B (Note 1)	2500	736,000	–	–	736,000	11.9%	0.1%	4 years	Grade B or above in the KPI appraisal
8	Mr. Zhenjun Zi	General Manager (Note 3)	Venus Medtech (Hangzhou) Inc. – B (Note 1)	2500	830,000	–	22,445,000	23,275,000	14.1%	3.8%	4 years	Grade B or above in the KPI appraisal
9	Dr. Xuefeng Yu	Chairman and Chief Executive Officer	Cansino Biologics Inc. – B	6185	1,124,000	546,000	–	1,670,000	31.1%	0.8%	0 to 5 years	No performance targets
10	Dr. Xu Ting	Chairman and Chief Executive Officer	Alphamab Oncology – B	9966	3,205,000	1,965,000	42,982,000	48,152,000	38.1%	16.9%	N/A	N/A

# LETTER FROM RAINBOW CAPITAL

Name of Chief Executive	Title of Chief Executive	Name of Comparable Companies	Stock code	Remuneration package				Percentage of equity interest held by Chief Executive (Note 4)	Percentage of total remuneration over total operating expenses (Note 5)	Vesting period of share awards or restricted share units granted	Performance condition of share awards or restricted share units granted
				Fee, salaries, bonuses, allowances, benefits in kind and retirement benefit scheme contributions RMB	Performance related bonus RMB	Share-based payment expense RMB	Total RMB				
11 Dr. YANG Dajun	Chairman and Chief Executive Officer	Ascentage Pharma Group International – B	6855	3,512,000	–	–	3,512,000	32.2%	0.2%	Details not disclosed	Conditions disclosed in the grant letter
12 Dr. Jinzi Jason WU	Chairman and Chief Executive Officer	Ascleris Pharma Inc. – B (Note 1)	1672	10,938,000	–	–	10,938,000	54.2%	2.8%	5 years	No performance targets
13 Dr. Qian Weizhu	Chief Executive Officer	Mabpharm Ltd. – B	2181	859,000	–	5,090,000	5,949,000	0.7%	3.2%	N/A	N/A
14 Dr. Li Chen	Chief Executive Officer	Hua Medicine – B	2552	4,189,000	2,249,000	21,669,000	28,107,000	5.8%	6.0%	N/A	N/A
15 Dr. Shui On LEUNG	Chairman and Chief Executive Officer	SinoMab BioScience Ltd. – B (Note 1)	3681	2,964,000	–	–	2,964,000	38.7%	1.1%	Details not disclosed	Conditions disclosed in the grant letter
16 Ms. Yeh-Huang, Chun-Ying	General Manager (Note 3)	TOT BIOPHARM International Co., Ltd. – B	1875	1,626,000	71,000	3,037,000	4,734,000	1.5%	1.4%	N/A	N/A
17 Dr. Xia Yu	Chairwoman and Chief Executive Officer	Akeso, Inc. - B	9926	1,174,000	1,147,000	–	2,321,000	28.2%	0.6%	5 years	Details not disclosed
		<b>Minimum</b>		736,000	71,000	3,037,000	736,000	0.0%	0.1%		
		<b>Maximum</b>		10,938,000	12,120,000	85,070,100	95,903,100	54.2%	16.9%		
		<b>Median</b>		2,912,000	1,289,500	22,057,000	5,949,000	11.9%	1.1%		
		<b>Average</b>		3,346,788	2,466,360	31,881,013	19,800,418	19.0%	2.7%		
Dr. Jiang	Chairman and Chief Executive Officer	The Company (Note 6)	2616	3,729,000	2,298,000	85,168,000	91,195,000	5.3% (Note 7)	5.2%	4 years	(i) Annual corporate goals (ii) Market capitalization milestones (iii) Target share price and trading volume milestones

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## LETTER FROM RAINBOW CAPITAL

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*Source:* Prospectus, annual reports and monthly returns of the respective Comparable Companies and disclosure of interests filed by the Chief Executives of the Comparable Companies

*Notes:*

1. Performance related or discretionary bonus, in any, is not separately disclosed in the respective prospectus or annual reports.
2. Calculated based on the average exchange rate of US\$1: RMB6.9 for illustrative purpose only.
3. The general manager assumed the roles and responsibilities of a chief executive officer.
4. Calculated based on the total equity interest held by the Chief Executives in the respective Comparable Companies (including interests in shares and underlying shares) divided by the total issued ordinary shares of the Comparable Companies as at the Latest Practicable Date.
5. Total operating expenses of the Comparable Companies include cost of revenue, selling and distribution expenses, research and development costs, administrative expenses, share of losses of joint ventures, other net losses and other expenses, and exclude finance costs, income tax expense, listing and reorganization expenses and loss on fair value changes of financial assets and liabilities which are considered non-operating in nature.
6. The total remuneration of Dr. Jiang comprised (i) salaries and other allowances, performance-related bonus and retirement benefit scheme contributions in an aggregate amount of approximately RMB6.0 million for the year ended 31 December 2019; (ii) the annualised value of the Pre-IPO Share-based Payments of approximately RMB63.7 million for the remaining vesting periods from 2019; and (iii) the annualised value of the New Shares of approximately RMB21.5 million. Given the grant of the Options under the Post-IPO ESOP is subject to the approval by the Shareholders at the AGM and the economic value of the Options is dependent on the fair value of the Options on the date when such grant becomes unconditional, it is not included as part of Dr. Jiang's remuneration in our assessment in this section.
7. Represented Dr. Jiang's interest in (i) 16,181,068 Shares; (ii) 6,760,000 Shares held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, dated 21 November 2018, of which Dr. Jiang is the trustor; and (iii) 8,633,336 share options and 23,315,832 restricted share units granted under the Pre-IPO Incentivisation Plan, being divided by the number of total issued Shares as at the Latest Practicable Date. Given the grant of the Options under the Post-IPO ESOP and the issuance of the New Shares granted under the Post-IPO RSU Scheme are subject to the approval by the Shareholders and the Independent Shareholders at the AGM, respectively, they are not included as part of Dr. Jiang's equity interests in the Company in our assessment in this section.

Although details with respect to each Chief Executive and Comparable Company such as responsibilities, experience and year of service of each Chief Executive as well as product type, stage of clinical development and scale of each company may vary, we consider that the Comparable Companies can provide a general reference for common market practice in determining the remuneration packages of chief executives of biotech companies.

As shown in the table above, the remunerations of the Chief Executives of the Comparable Companies ranged from approximately RMB0.7 million to approximately RMB95.9 million, for the year ended 31 December 2019. Assuming that (i) Dr. Jiang's salaries and other allowances, performance-related bonus and retirement benefit scheme contributions would remain the same as the level for the year ended 31 December 2019; (ii) the values of the Pre-IPO Share-based Payments for the remaining vesting periods would be recognised on a straight-line basis; and (iii) the value of the New Shares would be recognised on a straight-line basis over the vesting period of the New Shares, the annual remuneration of Dr. Jiang would amount to approximately RMB91.2 million, which is within the range of those of the Chief Executives among the Comparable Companies.

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## LETTER FROM RAINBOW CAPITAL

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On the other hand, as shown in the table above, the Chief Executives with higher equity interests in the relevant Comparable Companies generally have a lower remuneration (please refer to items 1, 3, 4, 6, 7, 8, 9, 10, 11, 12, 14, 15 and 17 set out in the table above). With a relatively low equity interest held by Dr. Jiang in the Company as compared with the median and average of the equity interests held by the Chief Executives in the relevant Comparable Companies, we consider that the share-based payment received by Dr. Jiang allows the Group to closely tie his total compensation to the performance of the Group, which is beneficial to the Company and the Shareholders as a whole.

Given that the Group had not generated any revenue from product sales as at the Latest Practicable Date, we have also considered the proportions of total remunerations of the Chief Executives over total operating expenses of the Comparable Companies in evaluating the fairness and reasonableness of Dr. Jiang's total remuneration. As shown in the table above, total remunerations of the Chief Executives over total operating expenses of the Comparable Companies for the year ended 31 December 2019 ranged from approximately 0.1% to approximately 16.9% with a median and average of approximately 1.1% and 2.7%, respectively. Dr. Jiang's total remuneration constituted approximately 5.2% of the Group's total operating expenses for the year ended 31 December 2019, which is within the range of those of the Comparable Companies.

Taking into account (i) that Dr. Jiang's total remuneration is within the range of those of the Chief Executives among the Comparable Companies; (ii) the equity interests held by Dr. Jiang in the Company; and (iii) that Dr. Jiang's total remuneration among the Group's total operating expenses is within the range of those of the Comparable Companies, we consider Dr. Jiang's total remuneration, including the issuance of the New Shares, to be fair and reasonable.

### **6. Financial effects of the Issuance**

The allotment and issue of the New Shares will have no effect on the cash flow of the Group other than the compensation expenses recognised over the vesting period of the New Shares. Based on the closing price of the Shares of HK\$10.52 as at the date of grant (i.e. 15 August 2019), the expenses relating to the allotment and issuance of the New Shares are approximately HK\$95.8 million in aggregate, which are expected to decrease the net profit of the Group.

### **7. Dilution effect of the Issuance**

Upon allotment and issue of the 9,108,095 New Shares to Dr. Jiang (assuming that there is no other change in the issue share capital of the Company) in full, the shareholding interests of existing public shareholders (excluding Zhengze Yuanshi and GIC Private Limited) would be diluted from approximately 38.51% as at the Latest Practicable Date to approximately 38.17%. This is considered immaterial in percentage terms and, in our view, acceptable so far as the Independent Shareholders are concerned taking into account the expected benefits of the Issuance as set out in the paragraph headed "4. Reasons for and benefits of the Issuance" above.

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## LETTER FROM RAINBOW CAPITAL

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Further details of the effects of the Issuance on the shareholding structure of the Company are set out in the section headed “3. Issue of the New Shares under Specific Mandate – Effects on the shareholding structure of the Company upon completion of Issuance” in the Letter from the Board.

### OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Issuance, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the grant of the New Shares is conducted with the aim to recognise Dr. Jiang for his past contribution as well as to incentivise his continual support to the Group:
- the Group has been highly dependent on the management team led by Dr. Jiang as the CEO and sole executive Director since his joining in July 2016;
- Dr. Jiang possesses a full spectrum of complementary skillsets from research to clinical development and commercialisation which is relevant to the Group’s operations;
- since Dr. Jiang joined the Group in July 2016, he has led the management team of the Group to achieve the Milestones which are essential to the Group’s transition from clinical stage to commercialisation; and
- retention of Dr. Jiang through the grant of the New Shares can ensure the stability of the Group’s operations, particularly when the Group is about to enter into the commercialisation stage, in view of the difficulty in, and the prolonged period of time required for, replacing key employees in the biopharmaceutical industry due to the limited number of individuals in the industry with the breadth of expertise and experience required to successfully develop, gain regulatory approval of and commercialise drug products;
- the grant of the New Shares under the Post-IPO RSU Scheme complies with the Group’s remuneration policy to offer equitable and market-competitive remuneration packages and is in line with the market practice;
- Dr. Jiang’s total remuneration over the operating expenses of the Group is within the range of those of the Comparable Companies. With a relatively low equity interest held by Dr. Jiang in the Company, the share-based payment received by Dr. Jiang allows the Group to closely tie his total compensation to the performance of the Group, which is beneficial to the Company and the Shareholders as a whole;



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## LETTER FROM RAINBOW CAPITAL

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- the allotment and issue of the New Shares will have no effect on the cash flow of the Group other than the compensation expenses recognised over the vesting period of the New Shares; and
- the dilution effect of the Issuance to the public Shareholders is immaterial.

Based on the above, we consider that the terms of the Issuance are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Issuance, while not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Issuance.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Larry Choi**  
*Managing Director*

*Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.*

## 1. 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 Group. 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.

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

#### *SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS*

<b>Name of director or chief executive</b>	<b>Nature of interest</b>	<b>Number and class of securities</b>	<b>Approximate percentage of interest in our Company<sup>(1)</sup></b>
Dr. Jiang, CEO and Chairman of our Board	Beneficial Owner Trustor of a trust	93,670,710 Shares <sup>(2)</sup> 6,760,000 Shares <sup>(3)</sup>	9.09% 0.66%
Mr. Xiaomeng Tong, former non-executive Director <sup>(4)</sup>	Interest in controlled corporations	13,078,000 Shares	1.27%

*Notes:*

- (1) The calculation is based on the total number of 1,030,183,387 Shares in issue as at the Latest Practicable Date.
- (2) Includes (1) 16,181,068 Shares beneficially held by Dr. Jiang; (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) Options to subscribe for 36,432,379 Shares conditionally granted to Dr. Jiang on August 15, 2019 under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options; and (4) Dr. Jiang's entitlement to (i) restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions and (ii) restricted share units equivalent to 9,108,095 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.
- (3) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, of which Dr. Frank Ningjun Jiang is the trustor. Effective from 30 August 2019, Jiang Irrevocable Gifting Trust FBO: Yanni Xiao Dated November 21, 2018 as beneficial owner appointed Yanni Xiao as its legal nominee to hold 6,760,000 ordinary shares of CStone Pharmaceuticals as legal owner. Under the SFO, Dr. Frank Ningjun Jiang is deemed to be interested in these Shares.
- (4) Mr. Xiaomeng Tong was a non-executive Director of the Company who resigned with effect from May 15, 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive officer of the Company has any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

**(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as it is known to the Directors and chief executive officer of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive officer of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	Capacity/ Nature of Interest	Total number of Shares/underlying shares	Approximate percentage of interest in our Company as at the Latest Practicable Date <sup>(1)</sup>
WuXi Healthcare Ventures II, L.P. <sup>(2)</sup>	Beneficial interest	293,381,444	28.48%
WuXi Healthcare Management, LLC <sup>(2)</sup>	Interest in controlled corporation	293,381,444	28.48%
Graceful Beauty Limited <sup>(3)</sup>	Beneficial interest	146,950,948	14.26%
Boyu Capital Fund II, L.P. <sup>(3)</sup>	Interest in controlled corporation	146,950,948	14.26%
Boyu Capital General Partner II L.P. <sup>(3)</sup>	Interest in controlled corporation	146,950,948	14.26%
Boyu Capital General Partner II Ltd. <sup>(3)</sup>	Interest in controlled corporation	146,950,948	14.26%
Boyu Capital Holdings Limited <sup>(3)</sup>	Interest in controlled corporation	146,950,948	14.26%
Zhengze Yuanshi <sup>(4)</sup>	Beneficial interest	98,216,972	9.53%
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 (有限合伙)) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
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) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%

Substantial Shareholder	Capacity/ Nature of Interest	Total number of Shares/underlying shares	Approximate percentage of interest in our Company as at the Latest Practicable Date <sup>(1)</sup>
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
Fei Jianjiang (費建江) <sup>(4)</sup>	Interest in controlled corporation	98,216,972	9.53%
GIC Private Limited <sup>(5)</sup>	Interest in controlled corporation	48,392,472	4.70%
	Investment manager	23,628,000	2.29%
GIC Special Investments Private Limited <sup>(5)</sup>	Interest in controlled corporation	48,392,472	4.70%
GIC (Ventures) Pte Ltd <sup>(5)</sup>	Interest in controlled corporation	48,392,472	4.70%
Tetrad Ventures Pte Ltd <sup>(5)</sup>	Interest in controlled corporation	48,392,472	4.70%
Dr. Jiang, CEO and Chairman of our Board	Beneficial Owner	93,670,710 <sup>(6)</sup>	9.09%
	Trustor of a trust	6,760,000 <sup>(7)</sup>	0.66%

*Notes:*

- (1) The calculation is based on the total number of 1,030,183,387 Shares in issue as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. 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.
- (3) As at the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

- (4) As at the Latest Practicable Date, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, 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)), a limited partnership established in China, in which 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) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.
- (5) As at the Latest Practicable Date, Tetrad Ventures Pte Ltd directly held 48,392,472 shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte Ltd, which in turn is wholly-owned by GIC Private Limited. GIC Private Limited acting as an investment manager also held 23,628,000 Shares. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte Ltd is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.
- (6) Includes (1) 16,181,068 Shares beneficially held by Dr. Jiang; (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) Options to subscribe for 36,432,379 Shares conditionally granted to Dr. Jiang on August 15, 2019 under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options; and (4) Dr. Jiang's entitlement to (i) restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions and (ii) restricted share units equivalent to 9,108,095 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.
- (7) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, of which Dr. Frank Ningjun Jiang is the trustor. Effective from 30 August 2019, Jiang Irrevocable Gifting Trust FBO: Yanni Xiao Dated November 21, 2018 as beneficial owner appointed Yanni Xiao as its legal nominee to hold 6,760,000 ordinary shares of CStone Pharmaceuticals as legal owner. Under the SFO, Dr. Frank Ningjun Jiang is deemed to be interested in these Shares.

Save as disclosed above, the Directors and the chief executive officer of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the proposed Directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' INTERESTS**

#### **(a) Interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significantly in relation to the business of the Group.

#### **(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since December 31, 2019, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### **(c) Interests in competing business**

As at the Latest Practicable Date, the Directors are not aware that any of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

### **4. LITIGATION**

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**6. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Rainbow Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Rainbow Capital was not interested in the share capital of any member of the Group, and did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group. It is not interested in any assets which have been, since December 31, 2019 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2019, being the date to which the latest published audited financial statements of the Group were made up.

**8. GENERAL**

The registered office of the Company is at the offices of Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the office of Davis Polk & Wardwell, Hong Kong Solicitors, at 18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong from the date of this circular up to and including the date of the AGM:

- (a) a copy of the rules of the Post-IPO RSU Scheme;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (c) the letter from Rainbow Capital, the text of which is set out on pages 24 to 39 of this circular;
- (d) the letter of consent from Rainbow Capital referred to in the above paragraph headed “Expert and Consent” in this Appendix; and
- (e) this circular.

*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 AGM.*

#### DIRECTOR CANDIDATES

**Mr. Guobin Zhang (張國斌)**, aged 40, has been a Director since May 2018 and was re-designated as a non-executive Director on October 29, 2018.

Prior to joining our Company, Mr. Zhang worked at GIC Special Investments Pte Ltd from September 2006 to August 2009, during which period his last position was Assistant Vice President in the Strategy & Investment Group. From November 2011 to October 2015, he was rehired by GIC Special Investments Pte Ltd, first working as Vice President and then as Senior Vice President I in the Funds & Co-investments Group, Asia. Mr. Zhang was posted to GIC (Beijing) Co Ltd as Senior Vice President I in October 2015, and was relocated to Singapore as Senior Vice President II and Head of Funds & Co-Investments Group, China in October 2018.

Prior to GIC, Mr. Zhang worked at Allianz Capital Partners GmbH Singapore branch from November 2009 to October 2011, first as an associate and then as an investment manager since January 2011 in which role he acted as a fund-of-funds manager, helping to screen, diligence and invest into private equity funds in Asia as well as selected co-investments. He served as a senior officer in the Precision Engineering & Light Industries Division of the Singapore Economic Development Board from September 2003 to September 2006.

Mr. Zhang graduated from the University of Wisconsin-Madison in the United States with a Bachelor of Science degree in chemical engineering in August 2003.

Mr. Zhang 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. Zhang in respect of the financial year ended December 31, 2019. 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. Zhang 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. Lian Yong Chen**, aged 57, has been a Director since August 2018 and was designated as a non-executive Director on October 29, 2018.

Dr. Chen has over 20 years of experience in the life sciences industry. He is currently the founding managing partner and chief executive officer of 6 Dimensions Capital, L.P. He was the founder and managing partner at Frontline BioVentures and a partner at FIL Capital Management (Hong Kong) Limited in Asia from May 2008 to March 2014.

Dr. Chen has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. Dr. Chen was appointed as a non-executive director of Hua Medicine (華領醫藥), a company listed on the Stock Exchange (stock code: 2552), on January 6, 2015 and re-designated as a non-executive director on May 11, 2018. He has also been a director of Hua Medicine Technology (Hong Kong) Limited and Hua Medicine (Shanghai) Co., Ltd., subsidiaries of Hua Medicine, since January 2015 and April 2016 respectively. Dr. Chen has served as a director at 111, Inc., a company listed on NASDAQ (stock code: YI) since May 2019.

Dr. Chen conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992 after obtaining his Ph.D. in chemistry (with top honor) from the University of Louvain, located in Louvain-la-Neuve, Belgium, in June 1991. He graduated from Peking University majoring in chemistry, in Beijing, China in July 1984.

Dr. Chen 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. Chen in respect of the financial year ended December 31, 2019. 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. Chen 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. Ting Yuk Anthony Wu (胡定旭)**, GBS, JP, aged 65, has been an independent non-executive Director since February 14, 2019.

Mr. Wu has been an independent non-executive director and chairman of the board of directors of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director of Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270) since

August 2012. He has been an independent non-executive director of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Stock Exchange (stock code: 2500) since November 2018.

Between March 2015 and August 2018, Mr. Wu was the chairman and an executive director at Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444), where he also acted as deputy chairman from October 2016 to August 2018. Between July 2011 and September 2014, he served as a director of Fidelity Funds. He served as an independent non-executive director of Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company listed on the Stock Exchange (stock code: 01288), from January 2009 to June 2015. Mr. Wu joined the Hong Kong Hospital Authority (醫院管理局) in 1999 and was formerly its chairman from 2004 to 2013. Between 2010 and 2012, he was and the chairman of the Chamber Council and is now a member of the consultation committee of the Hong Kong General Chamber of Commerce. He was a partner of Ernst & Young from July 1985 to December 2005 and served as chairman of Ernst & Young Far East and China Practice from January 2000 to December 2005.

Mr. Wu was admitted as a member of the Institute of Chartered Accountants in England and Wales in November 1979 and became a fellow in October 1990. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wu was appointed by the Government of Hong Kong as Justice of the Peace and awarded Gold Bauhinia Star in 2004 and 2008, respectively. Mr. Wu finished a Foundation Course in Accountancy in Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu has also served in different capacities in the following organizations:

- as the honorary chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch from January 2016 to December 2018
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2020
- as a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee
- as an expert advisor of the 2nd Chinese Medicine Reform and Development Advisory Committee of the State Administration of Traditional Chinese Medicine (國家中醫藥管理局第二屆中醫藥改革發展專家諮詢委員會) from December 2017 to November 2020

Mr. Wu entered into an appointment letter with the Company on January 11, 2018. Mr. Wu's 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. Wu 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 three 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.

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## **APPENDIX III EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE**

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*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 AGM 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 1,030,183,387 Shares in issue and fully paid-up. It is proposed that pursuant to the Repurchase Mandate, up to a maximum of 10% 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 AGM, the Company will be allowed to repurchase a maximum of 103,018,338 Shares which represent 10% 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.

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## **APPENDIX III EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE**

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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, 2019, 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.

## APPENDIX III EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

As of the Latest Practicable Date, the largest Shareholder, WuXi Healthcare Ventures II L.P., directly held 293,381,444 Shares, representing approximately 28.48% 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 28.48% to approximately 31.64%. 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

The Company repurchased a total of 743,500 Shares on the Stock Exchange in the twelve months preceding the Latest Practicable Date. Details of the repurchase are disclosed as follows:

Date of repurchase	No. of Shares Repurchase	Price paid per Share	
		Highest (HK\$)	Lowest (HK\$)
11/5/2020	258,000	7.43	7.05
12/5/2020	123,500	7.28	7.14
13/5/2020	35,500	7.25	7.17
14/5/2020	106,000	7.25	7.08
15/5/2020	220,500	7.49	7.10
<b>Total</b>	<b>743,500</b>		

As at the Latest Practicable Date, the Company was dealing with the cancellation procedures of all the Shares repurchased in the twelve months preceding the Latest Practicable Date.



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**APPENDIX III EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE**

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**SHARE PRICES**

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous twelve months up to the Latest Practicable Date were as follows:

	<b>Highest traded price <i>HK\$</i></b>	<b>Lowest traded price <i>HK\$</i></b>
<b>Month 2019</b>		
May	14.76	10.62
June	13.20	11.00
July	12.78	11.46
August	12.20	9.81
September	13.22	11.24
October	13.02	9.92
November	11.88	10.34
December	11.18	9.85
<b>Month 2020</b>		
January	11.52	9.83
February	11.60	10.18
March	11.78	7.91
April	9.30	7.97
May (up to the Latest Practicable Date)	8.01	6.73

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## NOTICE OF ANNUAL GENERAL MEETING

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### 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 (the “AGM”) of CStone Pharmaceuticals (the “Company”) will 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. for the following purposes. Terms not otherwise defined herein shall have the same meanings ascribed to them in the circular of the Company dated May 22, 2020 (the “Circular”).

#### 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, 2019.
2. (i) To re-elect Mr. Guobin Zhang as a non-executive Director of the Company;  
  
(ii) To re-elect Dr. Lian Yong Chen as a non-executive Director; and  
  
(iii) To re-elect Mr. Ting Yuk Anthony Wu as an independent 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** the grant of Options to Dr. Jiang under the Post-IPO ESOP to subscribe for an aggregate of 40,480,421 Shares of the Company at the exercise price of HK\$10.69 per Share and on the terms and conditions as set out in the Circular be and is hereby approved, confirmed and ratified and that any one Director be and is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of the Options.”

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## NOTICE OF ANNUAL GENERAL MEETING

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

**“That:**

- (i) the Issuance by the Company of the New Shares to Dr. Jiang be and is hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in the New Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the **“Specific Mandate”**) to allot and issue 9,108,095 Shares in the share capital of the Company to Dr. Jiang, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on June 20, 2019 and the general mandate contained in resolution numbered 7 of this notice of the AGM; and
- (iii) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraphs (i) and (ii) above.”

7. 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) which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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:
  - (a) a Rights Issue (as hereinafter defined);
  - (b) 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;
  - (c) 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
  - (d) 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% 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
- (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 five 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)

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## NOTICE OF ANNUAL GENERAL MEETING

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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).”

8. 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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the total number of Shares, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10% 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.”
9. To consider and, if thought fit, pass the following resolutions as ordinary resolutions with or without amendments:

“**That** conditional upon the resolutions numbered 7 and 8 set out in this notice of the AGM 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 resolution numbered 7 set out in this notice of the AGM 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 resolution numbered 8 set out in this notice of the AGM, provided that such amount shall not exceed 10% 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 22, 2020

*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

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

- (i) Ordinary resolution numbered 9 will be proposed to the Shareholders for approval provided that ordinary resolutions numbered 7 and 8 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 Thursday, June 18, 2020 to Tuesday, June 23, 2020, 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 Wednesday, June 17, 2020.
- (vi) In respect of ordinary resolution numbered 2 above, Mr. Guobin Zhang, Dr. Lian Yong Chen and Mr. Ting Yuk Anthony Wu 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 II to the accompanied circular dated May 22, 2020.
- (vii) In respect of the ordinary resolution numbered 7 above, the directors wish to state that they have no immediate plan 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 8 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 22, 2020.

*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.*