CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The board of directors (the "**Board**") of CStone Pharmaceuticals (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the year ended December 31, 2018, together with comparative figures for the year ended December 31, 2017. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated February 14, 2019 (the "**Prospectus**").

FINANCIAL HIGHLIGHTS

- Other income increased by RMB18.1 million from RMB14.0 million for the year ended December 31, 2017 to RMB32.1 million for the year ended December 31, 2018. Other gains and losses increased by RMB649.9 million from losses of RMB103.7 million for the year ended December 31, 2017 to losses of RMB753.6 million for the year ended December 31, 2018. Research and development expenses increased by RMB636.8 million from RMB213.4 million for the year ended December 31, 2017 to RMB850.2 million for the year ended December 31, 2018. Administrative expenses increased by RMB151.7 million from RMB39.3 million for the year ended December 31, 2017 to RMB191.0 million for the year ended December 31, 2018. As a result of the above factors, the loss for the year increased by RMB1,450.6 million from RMB342.5 million for the year ended December 31, 2017 to RMB1,793.1 million for the year ended December 31, 2018.

BUSINESS HIGHLIGHTS

On February 26, 2019 (the "**Listing Date**"), the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As disclosed in the Prospectus, we have made significant progress with respect to our product pipeline:

- We have built a robust pipeline of 14 oncology drug candidates, including three IO backbone drug candidates at clinical stage, to maximize our opportunities to develop IO combination therapies. Our core product candidate, CS1001, is an investigational monoclonal antibody directed against PD-L1 that is currently being investigated in pivotal clinical trials in China. We have initiated a first-in-human Phase I study since October 2017 to evaluate the safety, tolerability, PK and anti-tumor activity of CS1001 in patients with advanced tumors in China. The Phase Ia (dose escalation) portion was completed in May 2018, and the Phase Ib (dose expansion) portion has also been initiated. We have initiated two pivotal Phase II trials of CS1001 as a monotherapy for the treatment of cHL and NKTL and two Phase III clinical trials of CS1001 as a monotherapy for the treatment of Stage III NSCLC and Stage IV NSCLC.

- Our pipeline is complemented by four molecularly targeted compounds in order to address significant unmet patient needs. In June 2018, we obtained exclusive licenses from Agios and Blueprint for the development and commercialization of four molecularly targeted compounds in Greater China, all of which have proof of concept for their lead indications based on clinical data from the U.S. trials and are currently being prepared for clinical development in China. Ivosidenib is the first treatment for IDH1m relapsed or refractory AML in its class globally. Avapritinib (CS3007) is also the first drug candidate in its class globally, and CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor) each has the potential to be first-in-class globally.

- We focus on clinical development because we believe it has long been a bottleneck in China's new drug development value chain. Our clinical development capabilities have been proven by internally advancing four drug candidates into the clinical stage at an industry-leading speed. Since our inception, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor).

MANAGEMENT DISCUSSION & ANALYSIS

OUR VISION

Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide.

OVERVIEW

Founded in 2015, we are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. With 14 assets, including our three IO backbone drug candidates (PD-L1, PD-1 and CTLA-4 antibodies) at clinical stage, we believe that our pipeline has both the scale and mix to enable a winning combination therapy strategy to develop one of the largest oncology combination therapy portfolios among all China-based biopharmaceutical companies.

For details of any of the foregoing, please refer to the rest of this announcement and, where applicable, the Company's prospectus and prior announcements published on the websites of the Stock Exchange and the Company.

Our Core Product Candidate, CS1001, is a fully-human, full-length anti-PD-L1 monoclonal antibody that mirrors natural human antibody. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios and Blueprint to develop and commercialize four molecularly targeted compounds in Greater China. All four compounds, ivosidenib (CS3010), avapritinib (CS3007), CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor), have proof of concept for their lead indications based on clinical data from the global trials. We are currently leveraging this data to seek accelerated marketing authorization in China. Ivosidenib was approved by the U.S. FDA in July 2018 as the first treatment of IDH1m relapsed or refractory AML in its class globally. Avapritinib is also the first drug candidate in its class globally, and CS3008 and CS3009 each has the potential to be first-in-class globally.

Product Pipeline

We have a pipeline of 14 drug candidates that focus on oncology and range from pre-clinical stage to late-stage clinical programs. The following table summarizes our pipeline and the development status of each candidate as at February 11, 2019:

	Drug candidate	Molecular Target/ Signaling Pathway	Lead indication(s) and line(s) of therapies[1]	Drug Candidate Category	Commercial rights	Partner	Pre-clinical	IND filing	Dose escalation Phase Ia	Dose expansion Phase Ib| Phase II[2]	Pivotal Phase II| Phase III	NDA
Clinical/IND	**ivosidenib (CS3010, AG-120)**	IDH1	R/R AML, 1L AML, 2L/3L Cholangiocarcinoma	Chemicals, 1 (MRCT for AGILE); Chemicals, 5.1 (IND for R/R AML)	Greater China	agios	China Status					★ U.S. FDA Approved (Agios)
	CS1001 (core product[3])	PD-L1	R/R cHL, R/R NKTL, NSCLC[7], Solid tumors[8]	Biologics, 1	Worldwide		China Status Rest of the world status					
	avapritinib (CS3007, BLU-285)	KIT & PDGFRα	PDGFRα/ 2L / 3L GIST, AdvSM, ISM	Chemicals, 1	Greater China	blueprint	China Status				Pivotal Phase III trial in the U.S. ongoing (Blueprint)	
	CS3009 (BLU-667)	RET	1L / 2L NSCLC, 1L MTC[10]	Chemicals, 1	Greater China	blueprint	China Status		[4]		Phase Ib trial in the U.S. ongoing (Blueprint)	
	CS3008 (BLU-554)	FGFR4	1L / 2L HCC	Chemicals, 1	Greater China	blueprint	China Status			Phase Ib trial in the U.S. ongoing (Blueprint)		
	CS1002[5]	CTLA-4	Solid tumors[8]	Biologics, 2	Worldwide		China Status Rest of the world status					
	CS1003[5]	PD-1	Solid tumors[8]	Biologics, 1	Worldwide		China Status Rest of the world status					
	CS3006[5]	MEK	Solid tumors[8]	Chemicals, 1	Worldwide		China Status Rest of the world status					
	CS3003	HDAC6	Solid tumors[8], R/R MM[9]	Chemicals, 1	Worldwide		China Status Rest of the world status					
Pre-clinical	**CS3002**	CDK4/6	Solid tumors[8]	Chemicals, 1	Worldwide							
	CS3004[6]	Undisclosed			Worldwide							
	CS1009[6]				Worldwide							
	CS3005[6]				Worldwide							
	CS2004[6]				Worldwide							

Abbreviations: AML= acute myeloid leukemia, AdvSM= advanced systemic mastocytosis, cHL= classical Hodgkin's lymphoma, GIST= gastrointestinal stromal tumor, HCC= hepatocellular carcinoma, ISM= indolent systemic mastocytosis, NKTL= natural killer/T cell lymphoma, NSCLC= non-small cell lung cancer, MTC= medullary thyroid cancer, R/R= relapsed or refractory, SM= systemic mastocytosis, MM= multiple myeloma.

(1) According to Frost & Sullivan, NSCLC and HCC are considered common indications that each had more than 100,000 incidences in China in 2017, and AML, cholangiocarcinoma, cHL, NKTL, GIST, SM, MM and MTC are considered rare indications that each had less than 100,000 incidences in China in 2017.

(2) Some indication(s) may not require a non-pivotal Phase II clinical trial prior to beginning pivotal Phase II or III clinical trials.

(3) Denotes our Core Product Candidate, CS1001.

(4) Denotes upon IND approval by the NMPA, we may skip non-pivotal clinical trials and initiate pivotal trials of the product candidate in China by leveraging foreign data from clinical trials by our partner.

(5) Denotes we currently have clinical trials ongoing in Australia for the product candidate.

(6) Denotes due to commercial sensitivity we do not disclose additional details for this oncology-related drug candidate.

(7) Line of therapies include 1L Stage IV NSCLC and consolidation therapy after chemoradio therapy for Stage III NSCLC.

(8) Phase Ia study is designed to evaluate the clinical safety, tolerability, PK and PD among patients with various types of solid tumors. Because there are no clinical efficacy data on the drug candidate, no specific types of solid tumors are established as lead indications at this stage.

(9) Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we plan to assess the clinical efficacy of CS3003 in MM and various types of solid tumor patients in the Phase Ib dose expansion trial.

(10) The clinical data published so far by Blueprint demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients.

Business Review

As disclosed in our Prospectus, we have made significant progress with respect to our product pipeline:

Core Product Candidate

- Our core product candidate, CS1001, is an investigational monoclonal antibody directed against programmed cell death ligand 1 (PD-L1) that is currently being investigated in pivotal clinical trials in China. As a fully-human, full-length anti-PD-L1 monoclonal antibody, CS1001 mirrors natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs. We have initiated a first-in-human Phase I study since October 2017 to evaluate the safety, tolerability, PK and anti-tumor activity of CS1001 in patients with advanced tumors in China. The Phase Ia (dose escalation) portion was completed in May 2018, and the Phase Ib (dose expansion) portion has also been initiated.

- Several pivotal studies are underway in parallel for CS1001, including studies on certain tumor types with high incidence and prevalence rates in China. We have consulted with the NMPA and after reviewing the relevant Phase Ia data, the NMPA confirmed no objection for the initiation of two Phase II trials of CS1001 as a monotherapy for the treatment of cHL and Natural killer/T cell lymphoma (NKTL), respectively, a Phase III clinical trial of CS1001 as a monotherapy for the treatment of Stage III NSCLC and a Phase III clinical trial of CS1001 in combination with standard-of-care therapies for the treatment of Stage IV NSCLC.

- To maximize market occupancy, we are pursuing several large indications in China and have initiated a Phase III trial of CS1001 in patients with Stage III NSCLC as a monotherapy and a Phase III trial in combination with standard-of-care therapies for the treatment of patients with Stage IV NSCLC. We also plan to initiate Phase III trials in combination with standard-of-care therapies in China for the treatment of patients with gastric cancer in the first half of 2019 and HCC or another indication in 2019.

- To capitalize on the significant market opportunity in China, we plan to strategically develop combination therapies of CS1001 with candidates from our internal pipeline and from external partners in major indications. We plan to conduct (i) a Phase I trial of CS1001 in combination with CS3008 (FGFR4 inhibitor) for the treatment of patients with HCC in China in the second half of 2019; (ii) a Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in China in the first half of 2019; (iii) a Phase I trial of CS1001 in combination with CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma in China and Australia in the second half of 2019; and (iv) a Phase I trial of CS1001 in combination with CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma in China and Australia in the second half of 2019, in each case subject to IND approval from the NMPA and the TGA. We are also considering evaluating CS1001 in combination with ivosidenib (CS3010) in indication(s) such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indication(s) such as NSCLC, and with avapritinib (CS3007) in indication(s) such as GIST in each case subject to IND approval from the NMPA.

The chart below shows the indications for which we are evaluating CS1001 in clinical trials as disclosed in our Prospectus:

Indication	Mono-/Combo-Therapy	Status	Location	Study sample size	Expected trial initiation date	Expected trial completion date[2]	Expected NDA submission date	Competent authority	NCT number
Solid tumors	Combo (with a PARP inhibitor)[1]	Ib	China	*	1H2019	*	*	CDE/NMPA	*
Solid tumors and lymphoma	Mono	Ib	China	300	Oct., 2017	2020	*	CDE/NMPA	NCT03312842
HCC	Combo (with CS3008)	I	China	*	2H2019	*	*	CDE/NMPA	*
Solid tumors/ multiple myeloma	Combo (with CS3003)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Combo (with CS3002)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Mono	I	U.S.	16	Dec., 2018	2019	*	U.S. FDA	NCT03744403
cHL	Mono	II	China	80	Jun., 2018	2019	1H2020	CDE/NMPA	NCT03505996
NKTL	Mono	II	China	80	Jun., 2018	2020	*	CDE/NMPA	NCT03595657
Gastric cancer	Combo (with standard-of-care)	III	China	*	1H2019	2021	*	CDE/NMPA	*
Stage III NSCLC	Mono	III	China	402	Oct., 2018	2020	*	CDE/NMPA	NCT03728556
Stage IV NSCLC	Combo (with standard-of-care)	III	China	480	Dec., 2018	2020	*	CDE/NMPA	NCT03789604

Abbreviations: cHL = Classical Hodgkin's lymphoma, NKTL = Natural Killer/T cell lymphoma, NSCLC = Non-small cell lung cancer, HCC = Hepatocellular carcinoma, PARP = Poly (ADP-ribose) polymerase.

* = Still in planning phase

Notes:

(1) PARP inhibitor is a product being developed by an independent third party partner and is currently not commercially available.

(2) Denotes the date on which the last patient is enrolled.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS1001 SUCCESSFULLY.

Other Clinical or IND-stage Candidates

- We obtained an exclusive license from Agios for the development and commercialization of ivosidenib in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. In collaboration with Agios, we plan to discuss with the NMPA to conduct a bridging trial for IDH1m R/R AML in China to leverage the U.S. FDA data from Agios to support NDA submission in China. Agios is currently evaluating ivosidenib for the first-line treatment of IDH1m AML: (i) a Phase III trial investigating ivosidenib in combination with azacitidine (AGILE trial); and (ii) a Phase III trial investigating ivosidenib or enasidenib in combination with 7+3 chemo regimen (HOVON trial). We expect that the China portion of AGILE trial will be initiated in 2019. The CTA application for AGILE trial was submitted to the NMPA in May 2018 by Agios's agent PPD and the approval was received in August 2018. We also plan to design a China bridging study of ivosidenib as a monotherapy in second line and third line treatment for IDH1m cholangiocarcinoma to support NDA submission. In addition, we plan to explore the combination of ivosidenib with CS1001 or CS1003 in indications such as cholangiocarcinoma.

- We obtained an exclusive license from Blueprint for the development and commercialization of avapritinib (CS3007) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. Subject to CTA approval from the NMPA, we expect to conduct the China portions of two global Phase III trials of avapritinib (CS3007) for GIST initiated by Blueprint and such trials will serve as global pivotal trials for third-line and second-line treatment of GIST. We also plan to communicate with the NMPA on a potential trial waiver of avapritinib (CS3007) for the treatment of advanced SM using foreign data from the PATHFINDER study. Since the patient population for advanced SM is relatively small and under urgent medical need, it may increase the possibility of a trial waiver. The expected timeframe of the trial waiver, however, depends on Blueprint's trial timing and there is no guarantee that the trial waiver would be granted. Additionally, we could potentially join the global pivotal study of avapritinib (CS3007) as a monotherapy for indolent SM initiated by Blueprint.

- We obtained an exclusive license from Blueprint for the development and commercialization of CS3009 (RET inhibitor) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. We plan to join the dose expansion portion of a global Phase I study of CS3009 (RET inhibitor) in patients with RET-fusion NSCLC, MTC to generate PK, safety and efficacy data for NDA submission in China. We have submitted CTA application for RET-fusion NSCLC, MTC to the NMPA in December 2018. We are considering joining two global studies of CS3009 at different line treatment settings for RET-fusion NSCLC, MTC, respectively, to generate data for NDA submission in China. We may also explore the possibility of CS3009 in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody) in indications such as NSCLC.

- We obtained an exclusive license from Blueprint for the development and commercialization of CS3008 (FGFR4 inhibitor) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. CS3008 (FGFR4 inhibitor) is currently being evaluated by Blueprint in the dose expansion portion of a global Phase I clinical trial in patients with TKI naive HCC. We have evaluated the preliminary data of the trial and believe that CS3008 is a potentially effective drug for the treatment of certain HCC patients. We received CTA approval of CS3008 from the NMPA in January 2019 and will join the dose expansion portion of the global Phase I trial. We also consider joining a planned pivotal global trial for the same indication, if the data from this Phase I clinical trial are positive. In addition, we plan to initiate a Phase I trial of CS3008 in combination with CS1001 in patients with HCC in China in the second half of 2019. If the data from this trial are positive, we plan to conduct a Phase III clinical trial in patients with HCC in 2021.

- We have initiated the dose escalation part of a Phase I trial of CS1002 (CTLA-4 antibody) as a single agent in patients with advanced solid tumors in Australia and plan to initiate the dose escalation part of the Phase I clinical trial of CS1002 in combination with CS1003 for the treatment of patients with solid tumors in Australia in the second half of 2019 subject to IND approval from the TGA. We have received IND approval for CS1002 from the NMPA in August 2018 and plan to initiate a Phase I trial of CS1002 in China for patients with solid tumors in 2019.

- We have initiated the dose escalation part of a Phase I trial of CS1003 (PD-1 antibody) as a monotherapy in patients with advanced solid tumors in Australia and we have received IND clearance from the U.S. FDA in October 2018 to expand this trial to the United States. We have received IND approval for CS1003 from the NMPA in June 2018 and have initiated a bridging Phase I trial in patients with advanced tumors in China. We also plan to conduct (i) a Phase I trial of CS1003 in combination with CS1002 for the treatment of patients with solid tumors in Australia in the second half of 2019; and (ii) a Phase I trial of CS1003 in combination with CS3006 for the treatment of patients with solid tumors in China and Australia in the second half of 2019, in each case subject to IND approval.

- We have received IND approval for CS3006 (MEK inhibitor) from the NMPA in July 2018 and we have initiated a Phase I clinical trial of CS3006 as a single agent for advanced solid tumors in China and enrolled the first patient in October 2018. If the data from these Phase I trials are positive, we plan to conduct a Phase I trial of CS3006 in combination with CS1003 (PD-1 antibody) for the treatment of patients with solid tumors in China and Australia in the second half of 2019, in each case subject to IND approval from the NMPA and TGA.

- Subject to IND approval from the NMPA and TGA, we plan to conduct a Phase I trial of CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma as a monotherapy and in combination with CS1001 (PD-L1 antibody) in China and Australia in the second half of 2019. We have submitted IND/CTA applications of CS3003 in China and Australia, respectively, in December 2018.

Selected Pre-clinical Candidate

- We plan to conduct a Phase I trial of CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors as a monotherapy in 2019 and subsequently in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody) in Australia and/or China.

RESEARCH AND DEVELOPMENT

We focus on the research and development of innovative immune-oncology and molecularly targeted drugs for the treatment of cancer. Our drug discovery and pre-clinical research team conducts drug discovery, formulation development, process development and pre-clinical research of new drug candidates. As of February 11, 2019, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor). Our research team will continue to advance the five pre-clinical drug candidates in our pipeline towards IND. We plan to submit one new IND for CS3002 (CDK4/6 inhibitor) in 2019.

As disclosed in our Prospectus, we had 91 clinical development staff in China as at February 11, 2019, most of whom have clinical development experience in multinational companies. Our current clinical development activities mainly relate to the clinical advancement of our nine clinical and IND stage drug candidates. During the last two years, we have initiated eleven clinical trials, including four pivotal trials for our Core Product Candidate, CS1001 (PD-L1 antibody). By the end of 2019, we expect to have approximately 28 ongoing and/or completed trials in China and globally, including approximately 12 combination therapy trials with chemotherapies, molecularly targeted therapies and IO agents.

For the years ended December 31, 2017 and 2018, our research and development expenses were approximately RMB213.4 million and RMB850.2 million, respectively. As of February 11, 2019, we had filed two patent applications in China, and co-filed two patent applications under the Patent Cooperation Treaty, or PCT for material intellectual properties.

FINANCIAL REVIEW

The Board announces the consolidated audited results of the Group for the year ended December 31, 2018, with comparative figures for the corresponding period in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Other income	*3*	**32,102**	13,954
Other gains and losses	*3*	**(753,584)**	(103,665)
Research and development expenses		**(850,197)**	(213,441)
Administrative expenses		**(190,991)**	(39,335)
Finance costs		**–**	(60)
Listing expenses		**(30,459)**	–
Loss for the year	*4*	**(1,793,129)**	(342,547)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on investments in debt instruments measured at fair value through other comprehensive income ("**FVTOCI**")		**3,125**	(1,424)
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI		**(1,298)**	(20)
Other comprehensive income (expense) for the year		**1,827**	(1,444)
Total comprehensive expense for the year		**(1,791,302)**	(343,991)
Loss for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(469,830)**	(107,445)
– preferred shareholders		**(1,275,447)**	(201,459)
		(1,745,277)	(308,904)
Non-controlling interests		**(47,852)**	(33,643)
		(1,793,129)	(342,547)

	Note	**2018** ***RMB'000***	2017 *RMB'000*
Total comprehensive expense for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(469,338)**	(107,947)
– preferred shareholders		**(1,274,112)**	(202,401)
		(1,743,450)	(310,348)
Non-controlling interests		**(47,852)**	(33,643)
		(1,791,302)	(343,991)
Loss per share			
Basic and diluted *(RMB Yuan)*	*6*	**(2.79)**	(0.67)

Details of the dividends proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**14,473**	15,457
Deposits for acquisition of property, plant and equipment		**58**	160
Other intangible assets		**897**	222
Other receivables	*8*	**11,742**	3,181
		27,170	19,020
Current assets			
Deposits, prepayments and other receivables	*8*	**46,984**	7,567
Other investments classified as financial assets measured at fair value through profit or loss ("**FVTPL**")		**16,792**	56,593
Debt instruments at FVTOCI		**78,620**	397,710
Time deposits		**761,216**	–
Cash and cash equivalents		**701,336**	83,390
		1,604,948	545,260
Current liabilities			
Trade and other payables and accrued expenses	*9*	**93,574**	24,733
Deferred income		**–**	2,000
Derivative financial liabilities	*10*	**1,015,648**	86,495
		1,109,222	113,228
Net current assets		**495,726**	432,032
Total assets less current liabilities		**522,896**	451,052
Non-current liability			
Deferred income		**7,565**	–
Net assets		**515,331**	451,052
Capital and reserves			
Ordinary share capital		**29**	26
Preferred share capital		**94**	49
Reserves		**515,208**	426,263
Equity attributable to owners of the Company		**515,331**	426,338
Non-controlling interests		**–**	24,714
Total equity		**515,331**	451,052

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Group has consistently applied all the new and revised International Financial Reporting Standards ("**IFRS**"), International Accounting Standards, amendments and interpretations issued by the International Accounting Standards Board which are effective for the accounting periods beginning on January 1, 2018, and also elected to early apply Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective period beginning on January 1, 2018.

2. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products. The Group's chief operating decision maker ("**CODM**") has been identified as the chief executive of the Group.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies for the preparation of the consolidated financial statements.

Geographical information

All of the Group's non-current assets and capital expenditure are located or utilised in the People's Republic of China (the "**PRC**").

3. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	2018	2017
	RMB'000	*RMB'000*
Bank and other interest income	**7,947**	3,508
Changes in fair value of money market fund	**11,605**	146
Government grants income *(note)*	**12,550**	10,300
	32,102	13,954

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognized over the useful life of the related assets; and (ii) the incentive and other subsidies for research and development activities which are recognized upon compliance with the attached conditions.

Other gains and losses

	2018	2017
	RMB'000	*RMB'000*
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	**1,145**	6,010
Gain on disposal of debt instruments at FVTOCI	**1,298**	20
Loss on fair value changes of derivative financial liabilities	**(885,569)**	(79,933)
Loss on disposal of property, plant and equipment	**–**	(287)
Net foreign exchange gains (losses)	**129,542**	(29,475)
	(753,584)	(103,665)

4. LOSS FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**141,294**	15,401
Other staff costs:		
Salaries and other allowances	**52,576**	21,054
Performance-related bonus	**7,158**	4,708
Retirement benefit scheme contributions	**7,667**	2,380
Share-based payment expense	**100,577**	16,694
Total staff costs	**309,272**	60,237
Amortisation of other intangible assets	**161**	10
Auditors' remuneration	**563**	262
Depreciation of property, plant and equipment	**5,105**	811
Minimum lease payments under operating leases in respect of office premises	**3,752**	1,934

5. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands.

Under the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**") of Hong Kong, CStone Pharmaceuticals Limited ("**CStone HK**") is subject to two-tiered tax rate for period beginning from January 1, 2018 on assessable profits earned in Hong Kong, where the profits tax rate for the first HK$2,000,000 of assessable profits is subject to profits tax rate of 8.25% and the assessable profits above HK$2,000,000 is subject to profits tax rate of 16.5% (2017: profits tax rate of 16.5%).

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify a small business entity are eligible for the lower corporate tax rate at 27.5%. CStone Pharmaceuticals Australia Pty, Ltd. is qualified as small business entity and is subject to a corporate tax rate of 27.5%.

No provision for taxation for both years ended December 31, 2018 and 2017 as there is no assessable profits arises in nor is derived from PRC, Hong Kong and Australia.

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company	**(1,745,277)**	(308,904)
Add: Loss attributable to preferred shareholders	**1,275,447**	201,459
Loss for the purpose of basic and diluted loss per share	**(469,830)**	(107,445)

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	**168,583,668**	160,000,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year has been determined on the assumption that capitalization issue had been effective since January 1, 2016.

During the year ended December 31, 2018, the calculation of basic and diluted loss per share has considered restricted shares units that has been vested but not yet registered.

The calculation of diluted loss per share has not considered share options awarded under the share incentive plan, the unvested restricted share units and the conversion of preferred shares as their inclusion would be anti-dilutive.

7. DIVIDENDS

No dividend was paid nor declared by the Company during the year ended December 31, 2018 and 2017.

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Rental deposits	**1,798**	1,169
Prepayments	**34,091**	6,747
Other receivables	**1,284**	330
Other receivables from a director of the Company	**1,391**	–
Subscription receivable from a preferred shareholder *(note)*	**–**	490
Value-added tax recoverable	**11,850**	2,012
Deferred issue costs	**8,312**	–
	58,726	10,748
Analysed as:		
Non-current	**11,742**	3,181
Current	**46,984**	7,567
	58,726	10,748

Note: The balance represents subscription receivables due from a preferred shareholder of the Series A preferred shares which was settled in October 2018.

9. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**4,559**	302
Accrued expenses		
– Research and development	**43,012**	12,162
– Legal and professional fees	**1,742**	1,119
– Issue costs and listing expenses	**27,270**	–
– Others	**2,131**	20
	74,155	13,301
Other payables	**1,801**	358
Other tax payable	**1,570**	104
Payables in respect of acquisition of property, plant and equipment	**340**	3,391
Staff payroll payable	**11,149**	7,277
	93,574	24,733

The credit period on trade purchase is 0 to 90 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**4,331**	–
31 – 60 days	**–**	302
61 – 90 days	**84**	–
Over 90 days	**144**	–
	4,559	302

10. PREFERRED SHARES AND DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2016, the Company entered into share purchase agreements with several independent investors and issued two tranches of Series A preferred shares. Furthermore, the Company, together with 基石藥業(蘇州)有限公司 ("**CStone Suzhou**"), entered into an investment agreement and option agreement with Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. ("**Yuanshi**"), an onshore investor that chosen to pay directly into equity of CStone Suzhou.

On April 28, 2018, the Company entered into Series B share purchase agreement (the "**Series B Share Purchase Agreement**") in which it covered arrangement on restructuring equity interest of Yuanshi in the Group.

Further on April 28, 2018, the directors of the Company resolved that the Company to issue up to 45,908,818 Series B preferred shares at the purchase price of USD5.6634 per share.

On August 3, 2018, the directors of the Company resolved that the Company will issue up to an additional 353,144 Series B preferred shares at the purchase price of USD5.6634 per share to a limited partnership approved by the Company which is owned by the employees of the Group and 332,165 Series B preferred shares were issued by the Company on September 25, 2018.

Further on August 3, 2018, the Company and Yuanshi further entered into the Series A preferred shares agreement (the "**Share Transfer Agreement**") to execute the arrangement on restructuring equity interest of Yuanshi in the Group pursuant to the Series B Share Purchase Agreement.

On August 22, 2018, the share transfer has been completed and an aggregate of 7,945,757 Series A-3 preferred shares were issued to the affiliates of Yuanshi, namely Oriza Seed Fund L.P. ("**Oriza Seed**") and Hikeo Biotech L.P. ("**Hikeo**") at the price of US$5.6634 per share and at an aggregate consideration of US$45,000,000.

On the same date, Yuanshi transferred 10,000,000 Series A-1 preferred shares to the Company free from encumbrance in exchange for an aggregate of 24,554,243 Series A-4 preferred shares of the Company. The Series A-4 preferred shares issued in exchange for the Series A-1 preferred shares have a deemed value of US$0.40726158 per Series A-4 preferred share.

Accordingly, the 10,000,000 Series A-1 preferred shares held by Yuanshi were replaced by 24,554,243 Series A-4 preferred shares and 7,945,757 Series A-3 preferred shares on August 22, 2018.

On November 8, 2018, the Company repurchased 37,500 Series A-2 preferred shares from a preferred shareholder at a purchase price of US$75,000 (equivalent to approximately RMB517,000) and such repurchased preferred shares were immediately cancelled by the Company.

The par value per preferred share is US$0.0001 and the difference between the par value and the subscription price would be accounted for under the share premium.

Investment Arrangement – Onshore PRC Investor

Yuanshi entered into Series A preferred shares agreement in relation to the relevant investments that were contributed as capital of CStone Suzhou. The Company has entered into an additional option agreement with Yuanshi, in which the investor is entitled to an option for subscribing certain preferred shares issued by the Company ("**Share Purchase Option**"). No Share Purchase Option was exercised during the year ended December 31, 2017.

On August 3, 2018, Yuanshi entered into the Share Transfer Agreement with, among others, CStone HK, pursuant to which Yuanshi agreed to transfer CStone HK all of its equity interests in CStone Suzhou. CStone HK agreed to pay Yuanshi the consideration of the transfer of equity interests in Cstone Suzhou using the total consideration of US$45 million from the subscription of Series A-3 preferred shares by Oriza Seed and Hikeo, the affiliates of Yuanshi. On August 22, 2018, the Group has completed the equity transfer and CStone Suzhou has become an indirect wholly-owned subsidiary of the Company since then.

On August 22, 2018, the Company also repurchased 10,000,000 Series A-1 preferred shares from Yuanshi by issuing 24,554,243 Series A-4 preferred shares to Oriza Seed and Hikeo at a total consideration of US$10 million.

Presentation and Classification

The preferred shares are considered as equity instruments and are determined by deducting the fair value of the conversion features from the gross proceeds.

The Group has recognized the conversion features attached to the preferred shares as financial liabilities measured at FVTPL.

The change in fair value of the conversion features attached to the preferred shares and Share Purchase Option is charged to profit or loss and is included in the loss on fair value changes of derivative financial liabilities under the "**other gains and losses**" line item. Management considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Other income	**32,102**	13,954
Other gains and losses	**(753,584)**	(103,665)
Research and development expenses	**(850,197)**	(213,441)
Administrative expenses	**(190,991)**	(39,335)
Finance costs	**–**	(60)
Listing expenses	**(30,459)**	–
Loss for the year	**(1,793,129)**	(342,547)
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) on investments in debt instruments measured at fair value through other comprehensive income ("**FVTOCI**")	**3,125**	(1,424)
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI	**(1,298)**	(20)
Other comprehensive income (expense) for the year	**1,827**	(1,444)
Total comprehensive expense for the year	**(1,791,302)**	(343,991)
Loss for the year attributable to:		
Owners of the Company		
– ordinary shareholders	**(469,830)**	(107,445)
– preferred shareholders	**(1,275,447)**	(201,459)
	(1,745,277)	(308,904)
Non-controlling interests	**(47,852)**	(33,643)
	(1,793,129)	(342,547)

Other Income. Our other income increased by RMB18.1 million from RMB14.0 million for the year ended December 31, 2017 to RMB32.1 million for the year ended December 31, 2018. This was primarily attributable to (i) increases in fair value of money market fund and interests from bank deposits due to funds raised from Series B equity financing and (ii) government grants income received in the year ended December 31, 2018.

Other Gains and Losses. Our other gains and losses increased by RMB649.9 million from losses of RMB103.7 million for the year ended December 31, 2017 to losses of RMB753.6 million for the year ended December 31, 2018. The increase in other losses was primarily attributable to a larger loss on fair value of derivative financial liabilities due to the issuance of Series B preferred shares and the increase in the Company's valuation caused by the possibility of an initial public offering, partially offset by the increase in net foreign exchange gains due to U.S. dollar appreciation and our increased U.S. dollar deposit from Series B equity financing during the year ended December 31, 2018.

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	**1,145**	6,010
Gain on disposal of debt instruments at FVTOCI	**1,298**	20
Loss on fair value changes of derivative financial liabilities	**(885,569)**	(79,933)
Loss on disposal of property, plant and equipment	**–**	(287)
Net foreign exchange gains/losses	**129,542**	(29,475)
Total	**(753,584)**	(103,665)

Research and Development Expenses. Our research and development expenses increased by RMB636.8 million from RMB213.4 million for the year ended December 31, 2017 to RMB850.2 million for the year ended December 31, 2018. This increase was primarily attributable to (i) the increase in our licensing fee from nil for the year ended December 31, 2017 to RMB348.7 million for the year ended December 31, 2018, due to our entry into new collaboration and licensing agreements with third-party partners in the year of 2018; (ii) the increase in third party contracting cost by RMB148.5 million from RMB174.6 million for the year ended December 31, 2017 to RMB323.1 million for the year ended December 31, 2018, due to increased research and development outsourcing activities as we conducted more clinical trials for our drug candidates; and (iii) the increase in our employee cost by RMB138.6 million from RMB38.8 million for the year ended December 31, 2017 to RMB177.4 million for the year ended December 31, 2018, due to increased headcount and modifications of the share option vesting schedule and an increase in the share options and restricted shares granted.

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Employee cost	**177,437**	38,843
Depreciation and amortization	**938**	–
Licensing fee[(1)]	**348,749**	–
Third party contracting cost	**323,073**	174,598
Total	**850,197**	213,441

Note:

(1) Licensing fee relates to (a) the agreement between the Company and Blueprint for the clinical development and commercialization of avapritinib (CS3007), CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor) in China, Hong Kong SAR, Macau SAR, and Taiwan, as a monotherapy or in combination with other therapies, and (b) the agreement between the Company and Agios for the clinical development and commercialization of ivosidenib (CS3010) in China, Hong Kong SAR, Macau SAR and Taiwan, as a monotherapy or in combination with other therapies.

Administrative Expenses. Our administrative expenses increased by RMB151.7 million from RMB39.3 million for the year ended December 31, 2017 to RMB191.0 million for the year ended December 31, 2018. This was primarily attributable to (i) an increase of RMB109.9 million in employee cost from RMB22.1 million for the year ended December 31, 2017 to RMB132.0 million for the year ended December 31, 2018 due to increased headcounts, (ii) an increase of RMB18.8 million in professional fees from RMB7.1 million for the year ended December 31, 2017 to RMB25.9 million for the year ended December 31, 2018 due to consulting fees associated with business development activities and (iii) an increase of RMB3.5 million in depreciation and amortization from RMB0.8 million for the year ended December 31, 2017 to RMB4.3 million for the year ended December 31, 2018 due to increased property, plant and equipment in the laboratory in Suzhou.

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Employee cost	**131,982**	22,057
Professional fees	**25,898**	7,103
Rental expenses	**3,752**	1,934
Depreciation and amortization	**4,336**	821
Others	**25,023**	7,420
Total	**190,991**	39,335

Finance Costs. The RMB0.06 million finance costs during the year ended December 31, 2017 were attributable to the interest expense paid pursuant to the financing arrangement under the relevant research and development contracts. We did not have any finance costs for the year ended December 31, 2018 as such financing arrangement has ended on March 31, 2017.

Listing Expenses. The RMB30.5 million listing expenses for the year ended December 31, 2018 were mainly attributable to legal and professional fees and travel expenses in relation to the Global Offering. We did not incur any listing expenses for the year ended December 31, 2017.

Other Comprehensive Income (Expense). Our other comprehensive income (expense) changed from expense of RMB1.4 million for the year ended December 31, 2017 to income of RMB1.8 million for the year ended December 31, 2018. This change was primarily attributable to the gain on investments in corporate bonds and treasury bills.

Employees and Remuneration Policies

As disclosed in our Prospectus, the following table sets forth a breakdown of our employees as at February 11, 2019 by function:

Function	**Number**	**% of Total**
Research and Development	116	74
Sales, General and Administrative	41	26
Total	157	100

As of February 11, 2019, we had 115 employees in Shanghai, 16 employees in Suzhou and 26 employees in other regions of China and overseas. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

Liquidity and Financial Resources

On February 26, 2019, 186,396,000 Shares of US$0.0001 each were issued at a price of HK$12.00 per Share in connection with the Company's initial public offering ("**IPO**") on the Stock Exchange. The proceeds of HK$146,294.76 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$2,236,605,705.24 (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from U.S. dollar to Hong Kong dollar is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of February 26, 2019.

As of December 31, 2018, our time deposits and cash and cash equivalents were RMB1,462.6 million, as compared to RMB83.4 million as of December 31, 2017. The increase was mainly due to funds we received from our Series B equity financing. Our primary uses of cash are to fund research and development efforts, in-licensing of new drug candidates and working capital and other general corporate purposes.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2018, our gearing ratio was 68.4% (as at December 31, 2017: 20.1%).

Other Financial Information

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2018, we did not hold any significant investments. For the financial year ended December 31, 2018, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, time deposits, other receivables, debt instruments measured at fair value through other comprehensive income, other investments classified as financial assets measured at fair value through profit or loss and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As of December 31, 2018, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Contingent Liabilities

As of December 31, 2018, we did not have any material contingent liabilities.

FUTURE AND OUTLOOK

Our business model is designed to accelerate the development of innovative drugs. We focus on clinical development, which has long been a bottleneck in the innovative drug development value chain in China, through both adaptive clinical trial design and clinical trial operational excellence.

Leveraging our strong internal research capabilities, we continue to identify and develop new drug candidates to advance to clinical stage. We will continue to advance our five pre-clinical assets towards the IND stage and develop new internal assets through our in-house research capability and collaboration with top academic institutions and world-leading CROs.

As disclosed in our Prospectus, China's oncology drug market has grown rapidly in recent years. Revenue of the oncology drugs in China grew from RMB83.4 billion in 2013 to RMB139.4 billion in 2017, representing a CAGR of 13.7%. It is expected to further grow to RMB262.1 billion in 2022 at a CAGR of 13.5% from 2017, and to RMB654.1 billion in 2030 at a CAGR of 12.1% from 2022. While the majority of the top ten oncology drugs globally in 2017 is either molecularly targeted drugs or immuno-oncology drugs, seven out of the top ten oncology drugs in China are chemotherapy drugs and only three are molecularly targeted drugs. This difference between the global market and the China market suggests significant potential for molecularly targeted drug and immuno-oncology drug market growth in China.

We plan to maximize the commercial potential of our four late-stage clinical drug candidates with worldwide or Greater China rights. We plan to add multiple pivotal clinical trials for our late-stage drug candidates by the end of 2019, to continue to advance them to commercialization in China. We have recently assembled our core commercial leadership team that consists of five members with extensive experience in the pharmaceutical industry. We will continue to grow our commercial team and evaluate options for partnership to maximize market potential of our assets both in China and globally.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the period from the Listing Date to the date of this announcement, the Board is of the opinion that the Company has complied with all the code provisions apart from the deviation below.

We do not have a separate chairman and chief executive officer and Dr. Frank Ningjun Jiang currently performs these two roles. While this will constitute a deviation from Code Provision A.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of nine Directors, and we believe there is sufficient check and balance in our Board; (ii) Dr. Frank Ningjun Jiang and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Model Code for Securities Transactions by Directors of Listed Issuers

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "**Securities Transactions Code**"), which applies to all directors of the Company on terms not less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**").

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the relevant Securities Transactions Code throughout the period from the Listing Date to the date of this announcement.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date to the date of this announcement.

Use of Net Proceeds

With the Shares of the Company listed on the Stock Exchange on February 26, 2019, the net proceeds from the Global Offering were approximately HK$2,073.89 million, which will be utilized for the purposes as set out in our Prospectus.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has three members (who are all independent non-executive directors), being Mr. Hongbin Sun (chairman), Mr. Ting Yuk Anthony Wu, and Dr. Paul Herbert Chew with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee reviewed and considered that the annual financial results for the year ended December 31, 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

Subsequent Events

Subsequent to December 31, 2018, the following significant events took place:

The Company issued and allotted an aggregate of 598,241,649 Shares credited as fully paid at par on the Listing Date to the holders of Shares and Preferred Shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their respective shareholdings prior to listing.

On February 26, 2019, our Company successfully listed on the Main Board of the Stock Exchange at the offer price of HK$12 per share. The gross proceeds and the estimated net proceeds, not taking into account any possible exercise of the over-allotment option, amounted to HK$2,236.8 million and HK$2,073.89 million respectively. On March 21, 2019, the International Underwriters exercised the Over-allotment Option in full, pursuant to which the Company is required to allot and issue the Option Shares, being 27,959,000 Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering. The Option Shares are expected to be listed on the Stock Exchange on March 26, 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended December 31, 2018.

RECORD DATE OF ANNUAL GENERAL MEETING

Shareholders whose names appear on the register of members of the Company at the close of business on June 14, 2019 (the "**Record Date**") will be entitled to attend the forthcoming annual general meeting to be held on June 20, 2019 (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

NOTICE OF ANNUAL GENERAL MEETING

Notice of AGM will be published on the respective websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***http://www.cstonepharma.com/***) and will be dispatched to the Shareholders within the prescribed time and in such manner as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***http://www.cstonepharma.com/***).

The annual report for the year ended December 31, 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Shanghai, PRC, March 22, 2019

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