CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board of directors (the "**Board**") of CStone Pharmaceuticals (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2019, together with comparative figures for the six months ended June 30, 2018. Unless otherwise defined herein, capitalised 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

Non-International Financial Reporting Standards ("IFRS") Measures:

The loss and total comprehensive expenses excluding the effect of the fair value changes of the conversion feature of preferred shares and share-based payment expenses decreased by RMB162.6 million from RMB439.3 million for the six months ended June 30, 2018 to RMB276.7 million for the six months ended June 30, 2019, primarily due to a decrease in our licensing fee compared to the same period in 2018.

IFRS Numbers:

- Other income increased by RMB24.6 million from RMB4.0 million for the six months ended June 30, 2018 to RMB28.6 million for the six months ended June 30, 2019, primarily attributable to increases in interests from bank deposits and time deposits and gain from fair value changes of money market funds.

- Other gains and losses increased by RMB493.0 million from losses of RMB202.2 million for the six months ended June 30, 2018 to losses of RMB695.2 million for the six months ended June 30, 2019, primarily attributable to a larger loss on fair value changes of derivative financial liabilities, which was a non-cash, one-time adjustment upon the listing as required under the IFRS.

- Research and development expenses decreased by RMB125.1 million from RMB508.7 million for the six months ended June 30, 2018 to RMB383.6 million for the six months ended June 30, 2019, primarily attributable to the decrease in our licensing fee compared to the same period in 2018, and partially offset by the increase in third party contracting cost as a result of additional trials.

- Administrative expenses increased by RMB130.5 million from RMB37.3 million for the six months ended June 30, 2018 to RMB167.8 million for the six months ended June 30, 2019, primarily attributable to the increase in employee cost due to the increase in headcounts and one-time share based compensation expenses relating to the initial public offering ("**IPO**").

- As a result of the above factors, the loss for the period increased by RMB491.5 million from RMB744.3 million for the six months ended June 30, 2018 to RMB1,235.8 million for the six months ended June 30, 2019.

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**"). We have made significant progress with respect to our product pipeline and business operation since our Listing Date:

- We actively engaged in collaborations with multinational pharmaceutical companies. In June 2019, we entered into a global clinical collaboration with China focus with Bayer HealthCare LLC ("**Bayer**") to evaluate the safety, tolerability, pharmacokinetics and antitumor activity of our PD-L1 monoclonal antibody drug CS1001 in combination with Bayer's regorafenib, an oral multi-kinase inhibitor, as a treatment for multiple types of cancer including gastric cancer. This is the first global proof of concept study carried out as a collaboration between the two companies. In May 2019, we entered into an exclusive regional licensing agreement with Numab Therapeutics AG ("**Numab**") that potentially provides us with access to Numab's novel multi-specific technology platform. Specifically, the agreement is for the development and commercialization of ND021, a potential best-in-class monovalent, tri-specific antibody-based molecule targeting PD-L1, 4-1BB, and human serum albumin. We obtained exclusive rights to develop and commercialize ND021 in Greater China (including mainland China, Hong Kong, Macau and Taiwan), South Korea and Singapore.

- We made significant progress in advancing our pipeline candidates.

    - PD-L1 antibody (CS1001) – In April 2019, we initiated a Phase III clinical trial of CS1001 in China for patients with gastric cancer. In June 2019, we received approval to initiate clinical trial of CS1001 in combination with fisogatinib (CS3008) in patients with locally advanced or metastatic hepatocellular carcinoma ("**HCC**") in China. We are currently undergoing five registrational trials for CS1001.

- Ivosidenib (CS3010) – Expanding beyond mainland China, in May 2019, we submitted a new drug application for TIBSOVO (ivosidenib) to the Taiwan Food and Drug Administration ("**TFDA**") as the first to-be-approved treatment of adult patients with relapsed or refractory acute myeloid leukemia ("**R/R AML**") with a susceptible IDH1 mutation. In July 2019, we received approval from the National Medical Products Administration of China ("**NMPA**") for a bridging trial of ivosidenib for IDH1m R/R AML in China and the first patient was dosed in a global Phase III AGILE trial in China in the same month.

- Avapritinib (CS3007) – In January 2019, we received the approval from the NMPA to join a global pivotal Phase III study comparing avapritinib with regorafenib as a third line treatment for unresectable or metastatic gastrointestinal stroma tumor ("**GIST**") and have dosed the first patient in China in July 2019. In April 2019, we received the approval from the NMPA to start a China bridging study of avapritinib for the treatment of unresectable or metastatic GIST.

- Fisogatinib (CS3008) – In May 2019, we dosed the first patient in China for the global Phase I clinical study of fisogatinib, a FGFR4 inhibitor, for the treatment of advanced HCC.

- Pralsetinib (CS3009) – In March 2019, the NMPA approved our clinical trial application (the "**CTA**") to begin a Phase I/II trial in China for pralsetinib, a RET inhibitor, for the treatment of RET-altered non-small cell lung cancer ("**NSCLC**"), medullary thyroid cancer ("**MTC**") and other advanced solid tumors. We have subsequently dosed the first patient in August 2019 in China.

- We appointed four internationally-renowned oncologists, including Paul A. Bunn, Jr., MD, Elizabeth M. Jaffee, MD, Weiping Zou, MD, PhD and Richard S. Finn, MD, as members of our Scientific Advisory Board. We believe the addition of these four experts will considerably augment our public profile in the oncology field and provide valuable insights in our clinical development process.

- In August 2019, we entered into an agreement (with a state-owned enterprise under the Suzhou Industrial Park) to build an approximately 100,000 square meter research and development center and manufacturing facility in the Suzhou Industrial Park for large and small molecule drug development and commercial production. We expect to commence the construction of the facility in early 2020.

MANAGEMENT DISCUSSION & ANALYSIS

OUR VISION

Our vision is to become globally recognised 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 15 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 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 Pharmaceuticals, Inc. (NASDAQ: AGIO) ("**Agios**") and Blueprint Medicines Corporation (NASDAQ: BPMC) ("**Blueprint**") to develop and commercialize four molecularly targeted compounds in Greater China. All four compounds, ivosidenib (CS3010), avapritinib (CS3007), fisogatinib (CS3008) and pralsetinib (CS3009), have proof of concept for their lead indications based on clinical data from the global trials. Ivosidenib was approved by the U.S. Food and Drug Administration (the "**FDA**") in July 2018 as the first treatment of IDH1m R/R AML in its class globally. Avapritinib is also the first drug candidate in its class globally and Blueprint has filed new drug application (the "**NDA**") for avapritinib in the patients with PDGFRA Exon 18 mutant GIST and fourth-line GIST, and CS3008 and CS3009 each has the potential to be first-in-class globally.

Product Pipeline

We have a pipeline of 15 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 August 12, 2019:

	Drug Candidate	Molecular Target/ Signaling Pathway	Lead Indication(s) and Line(s) of Therapies	Drug Candidate Category	Commercial Rights	Partner	Pre-clinical	IND Filing	Dose Escalation	POC	Pivotal	NDA
Late-stage	CS1001 (Core Product)	PD-L1	R/R cHL, R/R NKTL, NSCLC[2], Solid tumors[3]	Biologics, 1	Worldwide		China Status Rest of the World Status					
	CS1003[1]	PD-1	HCC, Solid tumors[3]	Biologics, 1	Worldwide		China Status Rest of the World Status					
	ivosidenib (CS3010, AG-120)	IDH1	R/R AML, 1L AML, Cholangiocarcinoma	Chemicals, 1 (MRCT for AGILE); Chemicals, 5.1 (IND for R/R AML)	Greater China	agios	China Status NDA submission in Taiwan ★US FDA Approved (Agios)					
	avapritinib (CS3007, BLU-285)	KIT & PDGFRα	PDGFRα/ 2L / 3L GIST, AdvSM, ISM	Chemicals, 1	Greater China	blueprint	China Status NDA submission in the US and EU (Blueprint)					
	pralsetinib (CS3009, BLU-667)	RET	1L / 2L NSCLC, 1L MTC[4]	Chemicals, 1	Greater China	blueprint	China Status					
Clinical/IND	fisogatinib (CS3008, BLU-554)	FGFR4	1L / 2L HCC	Chemicals, 1	Greater China	blueprint	China Status					
	CS1002[1]	CTLA-4	Solid tumors[3]	Biologics, 2	Worldwide		China Status Rest of the World Status					
	CS3006[1]	MEK	Solid tumors[3]	Chemicals, 1	Worldwide		China Status Rest of the World Status					
	CS3003	HDAC6	Solid tumors[3], R/R MM[5]	Chemicals, 1	Worldwide		China Status Rest of the World Status					
	CS3002	CDK4/6	Solid tumors[3]	Chemicals, 1	Worldwide							
Pre-clinical	ND021	PD-L1/4-1BB/HSA	Solid tumors[3]	Biologics, 1	Greater China, South Korea, Singapore	NUMAB						
	CS3004		Undisclosed		Worldwide							
	CS1009				Worldwide							
	CS3005				Worldwide							
	CS2004				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) Denotes we currently have clinical trials ongoing in Australia for the product candidate.

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

(3) 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.

(4) The clinical data published so far by Blueprint demonstrated that pralsetinib (CS3009) is effective in the treatment of RET-mutant NSCLC and MTC patients.

(5) Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we are considering to evaluate the clinical efficacy of CS3003 in MM and various types of solid tumors in the Phase Ib dose expansion.

Business Review

We have made significant progress with respect to our product pipeline and plan to present key data for our PD-L1 (CS1001) monoclonal antibody in esophageal cancer, gastric cancer, cholangiocarcinoma, microsatellite instable high and natural killer/T cell lymphoma ("**NKTL**") and Phase I clinical data for PD-1 (CS1003) and CTLA-4 (CS1002) monoclonal antibodies at upcoming Chinese Society of Clinical Oncology ("**CSCO**"), European Society for Medical Oncology and The American Society of Hematology in the second half of 2019.

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. As at July 31, 2019, we have dosed more than 650 patients in CS1001's clinical trials.

- Several pivotal studies are underway in parallel for CS1001, including studies on certain tumor types with high incidence and prevalence rates in China. We advanced the clinical progress in two Phase II clinical trials of CS1001 as a monotherapy for the treatment of cHL and NKTL, respectively. We advanced a Phase III trial of CS1001 in patients with Stage III NSCLC as a monotherapy and a Phase III trial of CS1001 in combination with standard-of-care therapies in patients with Stage IV NSCLC. In April 2019, we initiated a Phase III trial of CS1001 in combination with standard-of-care therapies in patients with gastric cancer in China. We also plan to initiate a Phase III trial of CS1001 in a large indication in the second half of 2019.

- To capitalise 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 Ib trial of CS1001 in combination with regorafenib in multiple indications in the second half of 2019 and the first half of 2020; (ii) a Phase I trial of CS1001 in combination with fisogatinib (CS3008) for the treatment of patients with HCC in China in the second half of 2019; and (iii) a Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in Asia and Pacific in the second half of 2019. In June 2019, we received approval to initiate a clinical trial of CS1001 in combination with fisogatinib (CS3008) in patients with locally advanced or metastatic HCC in China.

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

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	*	2H2019	*	*	CDE/NMPA	*
Solid tumors and lymphoma	Mono	Ib	China	300	Oct., 2017	*	*	CDE/NMPA	NCT03312842
HCC	Combo (with CS3008)	I	China	*	2H2019	*	*	CDE/NMPA	*
Solid tumors	Mono	I	U.S.	16	Dec., 2018	*	*	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	*	Apr., 2019	2021	*	CDE/NMPA	NCT03802591
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: 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

- Ivosidenib (CS3010) – We obtained an exclusive license from Agios for further clinical development and commercialization of ivosidenib in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. In collaboration with Agios, a bridging trial for IDH1m R/R AML in China has received approval from the NMPA in July 2019 and is expected to dose the first patient in the second half of 2019. This registrational bridging trial's data will support NDA submission for IDH1m R/R AML in China. Agios is currently evaluating ivosidenib for the first-line treatment of IDH1m AML, with (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). Among which the Investigational New Drug (the "**IND**") 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. So far in this trial the first patient has been dosed in China in July 2019. We submitted an NDA for ivosidenib through a third-party to the TFDA for the treatment of adult patients with IDH1m R/R AML. In addition, we plan to explore the combination of ivosidenib with CS1001 or CS1003.

- Avapritinib (CS3007) – 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. In January 2019, we received the approval from the NMPA to join a global pivotal Phase III study of comparing avapritinib with regorafenib as a third line treatment for unresectable or metastatic GIST and have dosed the first patient in China in July 2019. In April 2019, we received the approval from the NMPA to start a China bridging study of avapritinib for the treatment of unresectable or metastatic GIST and expect to dose the first patient in the second half of 2019. In addition, in June 2019 we submitted a CTA to join a global pivotal Phase III study comparing avapritinib with sunitinib in second line treatment for certain genotype GIST patients. This application is currently under review by the NMPA. 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.

- Pralsetinib (CS3009) – We obtained an exclusive license from Blueprint for the development and commercialization of pralsetinib (CS3009) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. We have received CTA approval from the NMPA in March 2019 to join the dose expansion portion of a global Phase I/II study of pralsetinib (CS3009) in patients with RET-fusion NSCLC and MTC and have dosed the first patient in August 2019 to generate PK, safety and efficacy 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.

- Fisogatinib (CS3008) – We obtained an exclusive license from Blueprint for the development and commercialization of fisogatinib in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. Fisogatinib 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 fisogatinib is a potentially effective drug for the treatment of certain HCC patients. We received IND approval of fisogatinib from the NMPA in January 2019 and joined the dose expansion portion of the global Phase I trial and have dosed the first patient in May 2019 in China. 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 have received CTA approval from the NMPA in May 2019 and plan to initiate a Phase I trial of fisogatinib 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.

- CS1002 (CTLA-4 antibody) – 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 the CTA approval from the Therapeutic Goods Administration of Australia (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 the second half of 2019.

- CS1003 (PD-1 antibody) – We completed 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 received IND clearance from the U.S. FDA in October 2018 to expand this trial to the United States. We also completed a bridging Phase I trial of CS1003 (PD-1 antibody) in patients with advanced tumors in China. Our clinical data so far has demonstrated that CS1003 (PD-1 antibody) is safe and active in multiple tumors. We will present Phase Ia data of CS1003 (PD-1 antibody) at the upcoming 2019 CSCO meeting. We plan to initiate a global Phase III registrational trial of CS1003 (PD-1 antibody) in combination with a standard-of-care TKI therapy in patients with advanced HCC in the second half of 2019. In addition, we also plan to conduct a Phase I trial of CS1003 (PD-1 antibody) in combination with CS1002 (CTLA-4 antibody) in the second half of 2019 and in combination with regorafenib in the second half of 2019 and the first half of 2020.

- CS3006 (MEK inhibitor) – We are conducting a Phase I clinical trial of CS3006 (MEK inhibitor) in Australia and expect to complete the dose escalation portion in the first half of 2020. We have received IND approval for CS3006 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. We expect to complete the dose escalation portion in the second half of 2019 and initiate the dose expansion portion in 2020.

- CS3003 (HDAC6 inhibitor) – We have received IND/CTA approvals of CS3003 (HDAC6 inhibitor) in China and Australia in March 2019 and April 2019 respectively.

Selected Pre-clinical Candidate

- CS3002 (CDK4/6 inhibitor) – 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 the second half of 2019 and subsequently in combination with 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 July 31, 2019, we have submitted 23 IND/CTA applications for 10 drug candidates and obtained 21 IND/CTA approvals for 10 drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and four from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody), CS3006 (MEK inhibitor) and CS3003 (HDAC6 inhibitor). Our research team will continue to advance the five pre-clinical drug candidates in our pipeline towards IND. We plan to submit IND/CTA for CS3002 (CDK4/6 inhibitor) in 2019.

Our current clinical development activities mainly relate to the clinical advancement of our 10 clinical and IND stage drug candidates. As at August 12, 2019, we have initiated 16 clinical trials, including 5 registrational trials for our Core Product Candidate, CS1001 (PD-L1 antibody) and 3 registrational trials for 3 licensed-in products ivosidenib, avapritinib and pralsetinib. By the end of 2019, we expect to have more than 25 ongoing and/ or completed trials in China and globally, including more than 10 registrational trials.

For the six months ended June 30, 2018 and 2019, our research and development expenses were approximately RMB508.7 million and RMB383.6 million, respectively. As of July 31, 2019, we had filed one patent application in China under the Patent Cooperation Treaty, or PCT for material intellectual properties.

FINANCIAL INFORMATION

The Board announces the unaudited condensed consolidated results of the Group for the six months ended June 30, 2019, with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended June 30, 2019 **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
Other income	4	**28,621**	3,995
Other gains and losses	4	**(695,234)**	(202,228)
Research and development expenses		**(383,558)**	(508,732)
Administrative expenses		**(167,836)**	(37,297)
Listing expenses		**(17,638)**	–
Finance costs		**(149)**	–
Loss for the period	5	**(1,235,794)**	(744,262)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on investments in debt instruments at fair value through other comprehensive income ("**FVTOCI**")		**312**	2,103
Reclassified to profit or loss upon redemption of debt instruments at FVTOCI		**(662)**	(201)
Other comprehensive (expense) income for the period		**(350)**	1,902
Total comprehensive expense for the period		**(1,236,144)**	(742,360)
Loss for the period attributable to:			
Owners of the Company			
– ordinary shareholders		**(996,090)**	(219,611)
– preferred shareholders		**(239,704)**	(498,026)
		(1,235,794)	(717,637)
Non-controlling interests		**–**	(26,625)
		(1,235,794)	(744,262)
Total comprehensive expense for the period attributable to:			
Owners of the Company			
– ordinary shareholders		**(996,372)**	(219,029)
– preferred shareholders		**(239,772)**	(496,706)
		(1,236,144)	(715,735)
Non-controlling interests		**–**	(26,625)
		(1,236,144)	(742,360)
Loss per share			
Basic and diluted *(RMB Yuan)*	7	**(1.35)**	(1.36)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**12,819**	14,473
Right-of-use assets		**7,263**	–
Deposits for acquisition of property, plant and equipment and intangible assets		**578**	58
Other intangible assets		**847**	897
Other receivables	*9*	**21,003**	11,742
		42,510	27,170
Current assets			
Deposits, prepayments and other receivables	*9*	**52,878**	46,984
Other investments classified as financial assets measured at fair value through profit or loss ("**FVTPL**")		**11,744**	16,792
Debt instruments at FVTOCI		**–**	78,620
Restricted bank deposits		**620**	–
Time deposits		**1,673,667**	761,216
Cash and cash equivalents		**1,660,576**	701,336
		3,399,485	1,604,948
Current liabilities			
Trade and other payables and accrued expenses	*10*	**78,645**	93,574
Lease liabilities		**5,773**	–
Derivative financial liabilities	*11*	**–**	1,015,648
		84,418	1,109,222
Net current assets		**3,315,067**	495,726
Total assets less current liabilities		**3,357,577**	522,896
Non-current liabilities			
Deferred income		**8,959**	7,565
Lease liabilities		**1,409**	–
		10,368	7,565
Net assets		**3,347,209**	515,331
Capital and reserves			
Ordinary share capital		**675**	29
Treasury shares held in the trust		**(26)**	–
Preferred share capital	*11*	**–**	94
Reserves		**3,346,560**	515,208
Total equity		**3,347,209**	515,331

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015 – 2017 Cycle*

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid rent by applying IFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of RMB5,942,000 and right-of-use assets of RMB6,229,000 at January 1, 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 5.34%.

	At January 1, 2019 *RMB'000*
Operating lease commitments disclosed as at December 31, 2018	9,048
Lease liabilities discounted at relevant incremental borrowing rates	7,828
Less: Recognition exemption – short-term leases	(1,671)
Recognition exemption – low value assets	(215)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at January 1, 2019	5,942
Analysed as	
Current	4,361
Non-current	1,581
	5,942

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		5,942
Prepaid rent	*(a)*	223
Adjustments on rental deposits as at January 1, 2019	*(b)*	64
		6,229
By class:		
Land and buildings		6,079
Furniture, fixtures and equipment		150
		6,229

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at December 31, 2018** *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 at January 1, 2019** *RMB'000*
Non-current Assets				
Right-of-use assets		–	6,229	6,229
Other receivables	*(b)*	1,798	(64)	1,734
Current Assets				
Deposits, prepayments and other receivables	*(a)*	223	(223)	–
Current Liability				
Lease liabilities		–	4,361	4,361
Non-current Liability				
Lease liabilities		–	1,581	1,581

(a) Prepaid rent for office premises was classified as prepayment as at December 31, 2018. Upon application of IFRS 16, the prepaid rent was reclassified as right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB64,000 was adjusted from refundable rental deposits paid to right-of-use assets.

3. 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 prepared based on the same accounting policies.

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**").

4. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank and other interest income	**21,770**	1,247
Changes in fair value of money market funds	**5,117**	–
Government grants income *(Note)*	**1,734**	2,748
	28,621	3,995

Note: Government grants include subsidies and incentives from the PRC government which are specifically for (i) the capital expenditures incurred for plant and machinery which are recognised over the useful life of the related assets; and (ii) for improvement of working capital and compensation of research and development expenses incurred with no further unfulfilled conditions.

Other gains and losses

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	**255**	731
Gain on redemption of debt instrument at FVTOCI	**662**	201
Loss on fair value changes of derivative financial liabilities	**(756,464)**	(268,851)
Net foreign exchange gains	**60,313**	65,691
	(695,234)	(202,228)

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' emoluments (including share-based payment expenses)	**79,357**	26,643
Staff costs:		
– Salaries and other allowances	**56,214**	19,416
– Performance-related bonus	**12,786**	3,225
– Retirement benefit scheme contributions	**7,655**	2,606
– Share-based payment expense	**129,839**	11,840
	285,851	63,730
Amortisation for other intangible assets	**118**	70
Depreciation for property, plant and equipment	**2,967**	2,439
Depreciation of right-of-use assets	**2,096**	–
Auditor's remuneration	**948**	128
Lease payments in respect of short-term and low value leases	**1,283**	–
Minimum lease payments under operating leases	**–**	1,596

6. INCOME TAX EXPENSE

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

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of CStone Pharmaceuticals Limited will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the laws of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic 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 as 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%.

The Group has no provision for taxation for the six months ended June 30, 2019 and 2018 as there is no assessable profits arises in nor is derived from the PRC, Hong Kong and Australia.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(1,235,794)**	(717,637)
Add: Loss for the period attributable to preferred shareholders	**239,704**	498,026
Loss for the purpose of basic and diluted loss per share	**(996,090)**	(219,611)

	For the six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	**739,027,181**	160,921,732

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the period has been determined on the assumption that the capitalization issue had been effective since January 1, 2018.

During the six months ended June 30, 2019, the calculation of basic and diluted loss per share has considered the restricted share units that have been vested but not yet registered, but excluded the ordinary shares held in a trust which are accounted for as treasury shares of the Company.

The calculation of diluted loss per share has not considered share options awarded under the employee stock option plan, the unvested restricted share units and the conversion of preferred shares ("**Preferred Shares**") and over-allotment options as their inclusion would be anti-dilutive.

8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended June 30, 2019 and 2018. The directors of the Company have determined that no dividend will be paid in respect of the six months ended June 30, 2019.

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Rental deposits	**2,553**	1,798
Prepayments	**50,143**	34,091
Other receivables	**1,655**	1,284
Receivables from a director of the Company *(Note)*	**–**	1,391
Value-added tax recoverable	**19,530**	11,850
Deferred issue costs	**–**	8,312
	73,881	58,726
Analysed as:		
– Non-current	**21,003**	11,742
– Current	**52,878**	46,984
	73,881	58,726

Note: As at December 31, 2018, the balance represents receivables from Dr. Frank Ningjun Jiang ("**Dr. Jiang**"), the executive director of the Company, which has been fully settled during the six months ended June 30, 2019. The balance was unsecured, interest-free and repayable on demand.

10. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Trade payables	**4,988**	4,559
Accrued expenses		
– Research and development *(Note)*	**53,534**	43,012
– Legal and professional fees	**2,765**	1,742
– Issue cost and listing expenses	**–**	27,270
– Others	**160**	2,131
	56,459	74,155
Other payables	**4,136**	1,801
Other tax payable	**125**	1,570
Payables in respect of acquisition of property, plant and equipment	**–**	340
Accrued bonus	**12,937**	11,149
	78,645	93,574

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

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Less than 30 days	**–**	4,331
31 – 60 days	**4,988**	–
61 – 90 days	**–**	84
Over 90 days	**–**	144
	4,988	4,559

Note: Amount included service fee paid to outsourced service providers including contract research organisations and clinical trial sites.

11. PREFERRED SHARES AND DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2016, the Company entered into share purchase agreements with several independent third party investors and issued Series A Preferred Share to the investors. Furthermore, during the year ended December 31, 2018, the Company issued Series B Preferred Shares to several independent third party investors and employees.

For details of the background and movement of Preferred Shares, please refer to note 20 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

The par value per preferred share is USD0.0001 and the difference between the par value and the subscription price less the fair value of conversion features at issuance of Preferred Shares is accounted for under the share premium.

All Series A and Series B Preferred Shares were automatically converted into 143,703,471 ordinary shares upon the IPO of the Company on February 26, 2019.

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 recognised 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 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 its fair value. As at February 26, 2019, the conversion features were valued by the directors of the Company with reference to valuation report carried out by an independent qualified professional valuer.

The Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on Binomial Option Pricing model ("**OPM model**") to arrive at the fair value of the conversion features.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM model to determine the fair value are as follows:

	At February 26, 2019 (Unaudited)
Time to IPO	**0.01 year**
Time to liquidation	**6 years**
Risk-free interest rate	**2.55%**
Volatility	**58.36%**
Dividend yield	**0%**
Possibilities under liquidation scenario	**0.50%**
Possibilities under IPO scenario	**99.50%**

Financial Review

Six Months Ended June 30, 2019 Compared to Period Ended June 30, 2018

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income	**28,621**	3,995
Other gains and losses	**(695,234)**	(202,228)
Research and development expenses	**(383,558)**	(508,732)
Administrative expenses	**(167,836)**	(37,297)
Listing expenses	**(17,638)**	–
Finance costs	**(149)**	–
Loss for the period	**(1,235,794)**	(744,262)
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on investments in debt instruments at FVTOCI	**312**	2,103
Reclassified to profit or loss upon redemption of debt instruments at FVTOCI	**(662)**	(201)
Other comprehensive (expense) income for the period	**(350)**	1,902
Total comprehensive expense for the period	**(1,236,144)**	(742,360)
Non-IFRS measures:		
Adjusted loss and total comprehensive expense for the period	**(276,654)**	(439,333)

Other Income. Our other income increased by RMB24.6 million from RMB4.0 million for the six months ended June 30, 2018 to RMB28.6 million for the six months ended June 30, 2019. This was primarily attributable to the increase in interest income from bank deposits and time deposits and gain from fair value changes of money market funds.

Other Gains and Losses. Our other gains and losses increased by RMB493.0 million from losses of RMB202.2 million for the six months ended June 30, 2018 to losses of RMB695.2 million for the six months ended June 30, 2019. The increase in other losses was primarily attributable to a larger loss on changes in fair value of derivative financial liabilities.

Such loss on the fair value changes of conversion features of Preferred Shares was a non-cash and non-recurring adjustment recognised as of the Listing Date, as the fair value of the conversion features was deemed to be increased upon the completion of the IPO of the Company. As all the Preferred Shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of the conversion features.

Research and Development Expenses. Our research and development expenses decreased by RMB125.1 million from RMB508.7 million for the six months ended June 30, 2018 to RMB383.6 million for the six months ended June 30, 2019. This decrease was primarily attributable to the combination impact of (i) the decrease in our licensing fee from RMB348.7 million for the six months ended June 30, 2018 to RMB14.5 million for the six months ended June 30, 2019, due to significant milestone payment incurred for the several collaboration and licensing agreements entered with third-party partners in the year ended December 31, 2018; (ii) the increase in third party contracting cost by RMB95.2 million from RMB117.2 million for the six months ended June 30, 2018 to RMB212.4 million for the six months ended June 30, 2019 for conducting more clinical trials for our drug candidates; and (iii) the increase in our employee cost by RMB111.7 million from RMB42.3 million for the six months ended June 30, 2018 to RMB154.0 million for the six months ended June 30, 2019 for the increase in headcounts and share-based payment expenses.

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee cost	**153,956**	42,340
Depreciation and amortization	**587**	441
Licensing fee	**14,521**	348,749
Third party contracting cost	**212,405**	117,202
Others	**2,089**	–
Total	**383,558**	508,732

Administrative Expenses. Our administrative expenses increased by RMB130.5 million from RMB37.3 million for the six months ended June 30, 2018 to RMB167.8 million for the six months ended June 30, 2019. This was primarily attributable to (i) an increase of RMB110.5 million in employee cost from RMB21.4 million for the six months ended June 30, 2018 to RMB131.9 million for six months ended June 30, 2019 caused by increasing headcounts and IPO-related one-time share based compensation expenses; (ii) an increase of RMB9.7 million in professional fees from RMB6.6 million for the six months ended June 30, 2018 to RMB16.3 million for the six months ended June 30, 2019 driven by more consulting and professional fees associated with business development activities incurred; and (iii) an increase of RMB2.5 million in depreciation and amortization from RMB2.1 million for the six months ended June 30, 2018 to RMB4.6 million for six months ended June 30, 2019 for the new office lease entered in Suzhou and Beijing and adoption of IFRS 16.

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee cost	**131,895**	21,390
Professional fees	**16,272**	6,559
Rental and management fee expenses	**1,661**	1,596
Depreciation and amortization	**4,594**	2,067
Others	**13,414**	5,685
Total	**167,836**	37,297

Finance Costs. The RMB0.1 million finance costs during the six months ended June 30, 2019 were attributable to the interest expense on lease liabilities.

Listing Expenses. The RMB17.6 million listing expenses for the six months ended June 30, 2019 were mainly attributable to legal and professional fees in relation to the IPO. We did not incur any listing expenses for the six months ended June 30, 2018.

Other Comprehensive (Expense) Income. Our other comprehensive (expense) income changed from income of RMB1.9 million for the six months ended June 30, 2018 to expense of RMB0.4 million for the six months ended June 30, 2019. This change was primarily attributable to the reclassification to profit and loss upon the redemption of the debt investments in corporate bonds and treasury bills.

Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Company's management.

Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of the conversion feature of preferred shares (derivative financial liabilities measured at fair value through profit or loss) and share-based compensation expenses. The term adjusted loss and total comprehensive expenses for the period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss and total comprehensive expenses to adjusted loss and total comprehensive expenses during the periods indicated:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss and total comprehensive expense for the period	**(1,236,144)**	(742,360)
Added:		
Loss on changes in fair value of derivative financial liabilities	**756,464**	268,851
Share-based payment expense	**203,026**	34,176
Adjusted loss and total comprehensive expense for the period	**(276,654)**	(439,333)

Employees and Remuneration Policies

The following table sets forth a breakdown of our employees as at July 31, 2019 by function:

Function	**Number of employees**	**% of total number of employees**
Research and Development	165	70.2
Sales, General and Administrative	70	29.8
Total	235	100.0

As of July 31, 2019, we had 167 employees in Shanghai, 21 employees in Suzhou and 47 employees in other regions of the PRC 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 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$2,236,605,705.24, (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from US$ to HK$ 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 June 30, 2019, our time deposits and cash and cash equivalents were RMB3,334.2 million, as compared to RMB1,462.6 million as of December 31, 2018. The increase was mainly due to the proceeds we received from our IPO. 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 June 30, 2019, our gearing ratio was 2.8% (as at December 31, 2018: 68.4%).

Other Financial Information

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2019, we did not hold any significant investments. For the six months ended June 30, 2019, 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, restricted bank deposits, time deposits, other receivables, 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 June 30, 2019, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Contingent Liabilities

As of June 30, 2019, 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.

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 compound annual growth rate ("**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 five 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 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 IPO (without taking into account the exercise of the over-allotment option) were approximately HK$2,073.89 million, which will be utilised for the purposes as set out in our Prospectus. Up to June 30, 2019, such proceeds have not been utilised.

Review of Interim Results

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2019) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

Subsequent Events

Subsequent to June 30, 2019, the following significant events took place:

On August 6, 2019, the Company announced that the signing ceremony for its Global Research and Development ("**R&D**") Headquarters and Industrialization Base (the "**Project**") took place in Suzhou. The event marks the building of yet another state-of-the-art R&D center and manufacturing facility in Suzhou. The Suzhou Industrial Park provided strong support for both the Project's construction plan and investment. According to the agreement, the construction of the site, with a planned building area of approximately 100,000 square meters, will be commissioned to a third party. Once completed, the Project will be equipped with integrated capabilities for R&D, pilot plant and full commercial scale manufacturing of biologics and chemicals, which will have a designed production capacity of 26,000L for macromolecule biologics and 1 billion tablets and capsules for small molecule drugs. For further details, please refer to the announcement of the Company dated August 6, 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended June 30, 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report for the six months ended June 30, 2019 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, August 14, 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. 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.