基石药业
CSTONE
PHARMACEUTICALS

CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : **2616**

2019
Interim Report
中期報告

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Wei Li
Mr. Qun Zhao
Mr. Yanling Cao (appointed with effect from May 15, 2019)
Mr. Xiaomeng Tong (resigned with effect from May 15, 2019)
Mr. Guobin Zhang
Dr. Lian Yong Chen

Independent Non-executive Directors

Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

AUDIT COMMITTEE

Mr. Hongbin Sun *(Chairman)*
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu

COMPENSATION COMMITTEE

Mr. Ting Yuk Anthony Wu *(Chairman)*
Dr. Wei Li
Dr. Paul Herbert Chew

NOMINATION COMMITTEE

Dr. Frank Ningjun Jiang *(Chairman)*
Mr. Yanling Cao (appointed with effect from May 15, 2019)
Mr. Xiaomeng Tong (resigned with effect from May 15, 2019)
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

STRATEGY COMMITTEE

Dr. Frank Ningjun Jiang *(Chairman)*
Dr. Lian Yong Chen
Dr. Paul Herbert Chew

AUTHORIZED REPRESENTATIVES

Dr. Frank Ningjun Jiang
Ms. Yeung Ching Man

COMPANY SECRETARY

Ms. Yeung Ching Man

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
P.O. Box 31119, Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

1000 Zhangheng Road
Building 25
Pudong New District
Shanghai, 201203
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower, 1 Garden Road
Central, Hong Kong

China Construction Bank
Industrial Park of Suzhou Branch
No. 1133 Dong Huan Road
Suzhou
PRC

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

STOCK CODE

2616

COMPANY WEBSITE

www.cstonepharma.com

Financial Highlights

	For the six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
Cash, cash equivalents and time deposits	**3,334,243**	1,462,552
Total assets	**3,441,995**	1,632,118
Total liabilities	**94,786**	1,116,787
Total equity	**3,347,209**	515,331
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)
Finance costs	**(149)**	–
Listing expenses	**(17,638)**	–
Loss for the period	**(1,235,794)**	(744,262)
Loss per share		
– Basic and diluted *(RMB Yuan)*	**(1.35)**	(1.36)
Non-IFRS measures:		
Adjusted loss and total comprehensive expense for the period	**(276,654)**	(439,333)

Financial Highlights

NON-IFRS MEASURES:

The adjusted loss and total comprehensive expense excluding the effect of the fair value changes of the conversion feature of preferred shares and share-based payment expenses decrease 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 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.

Management Discussion and 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 report 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 and 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. 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 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 NKTL and Phase I clinical data for PD-1 (CS1003) and CTLA-4 (CS1002) monoclonal antibodies at upcoming Chinese Society of Clinical Oncology, 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 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 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 Chinese Society of Clinical Oncology 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 Review

Six Months Ended June 30, 2019 Compared to Six Months 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 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)
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 fair value changes 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 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 expense 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 expense for the period represents the loss and total comprehensive expense 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 payment expenses. The term adjusted loss and total comprehensive expense 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 expense to adjusted loss and total comprehensive expense 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 expenses	**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.

On March 21, 2019, the international underwriters of the Global Offering exercised the over-allotment option in full, pursuant to which the Company is required to allot and issue 27,959,000 Shares at HK$12 per Share, representing approximately 15% of the maximum number of Shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$325.42 million (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option). The option shares were listed on the Stock Exchange on March 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 of 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.

Lease Liabilities

We have applied IFRS 16 and recognised lease liabilities since January 1, 2019. As at June 30, 2019, our lease liabilities amounted to RMB7.2 million (as at December 31, 2018: Nil).

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 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 maximise 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.

DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 59, has been our CEO since July 2016, and was designated as the executive Director in November 2016 and appointed as the Chairman of our Board on August 14, 2018.

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

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

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

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

Non-executive Directors

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

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

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

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

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

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

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

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

Mr. Yanling Cao (曹彥凌), aged 35, was a director of the Company from April 1, 2016 to March 27, 2017. Mr. Cao was appointed as a non-executive Director with effect from May 15, 2019.

Since May 2016, Mr. Cao has been serving as a non-executive director of Wuxi Biologics (Cayman) Inc. (a company listed on the Stock Exchange with stock code 2269). He has also been serving as the Partner of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司) and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC and was responsible for providing investment banking advisory services to clients in Asia.

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

Mr. Guobin Zhang (張國斌), aged 39, has been a Director since May 2018 and was re-designated as a non-executive Director on October 29, 2018.

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

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

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

Dr. Lian Yong Chen, aged 57, has been a Director since August 2018 and was designated as a non-executive Director on October 29, 2018.

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

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

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

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 67, has been an INED since February 14, 2019.

Dr. Chew is currently the Chief Medical Officer and he is on the Board of Directors for Phesi, an innovative firm that optimizes clinical trial design with novel technology. Dr. Chew is also the Chief Medical Officer for CorMedix, Inc, utilizing a taurolidine-based platform to prevent infection in high-risk patients. Dr. Chew serves on the Scientific Advisory Board at the Center for Public Health, George Washington School of Public Health. He is also currently a member of the Board of Trustees for the US Pharmacopeia that sets quality standards for US drugs, foods and dietary supplements, enforced by U.S. FDA but whose standards are also followed by more than 140 countries.

From 2013 to 2016, Dr. Chew served as the global Chief Medical Officer for Sanofi (NYSE: SNY, EPA: SAN), a global pharmaceutical company headquartered in Paris with affiliates in over 100 countries, overseeing medical affairs, regulatory affairs, drug safety, and pharmaco-economics. From 2016 to 2018, Dr. Chew has also been the Chief Medical Officer for Omada Health, a premier Bay area company in digital therapeutics for the management of chronic disease. Dr. Chew has been on the Board of External Advisors for the University of North Carolina School of Public Health. He has served as a member of the Institute of Medicine Value & Science-Driven Healthcare Roundtable. He is board certified in Internal Medicine and Cardiovascular Disease. Dr. Chew was also a member of the Cardiology and Radiology faculty at the Johns Hopkins Hospital and he holds a Doctor of Medicine and a Bachelor of Arts degree from the Johns Hopkins University School of Medicine in the United States.

Mr. Ting Yuk Anthony Wu (胡定旭), GBS, JP, aged 64, has been an INED since February 14, 2019.

Mr. Wu has been an independent non-executive director and chairman of the board of directors of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director of Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270) since August 2012.

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

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

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

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

Mr. Hongbin Sun (孫洪斌), aged 44 has been an INED since February 14, 2019.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since September 2010 and served as its executive director from July 2010 to September 2012. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the Audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2009 and also a Chartered Financial Analyst in September 2009.

He received his bachelor's degree in accounting from Shanghai Jiao Tong University (上海交通大學) in China in July 1998.

SENIOR MANAGEMENT

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 59, has been the CEO of our Company since July 2016. For further details, please refer to "Directors – Executive Director" in this section.

Dr. Jianxin Yang, M.D., Ph.D., aged 55, has been our Senior Vice President and Chief Medical Officer since December 2016. In this role, he is responsible for developing and implementing the overall clinical strategy.

Dr. Yang has over 21 years of experience in biomedical research and clinical development of oncology drugs in the US and China. Prior to joining our Company, he served as the senior vice president and head of clinical development at BeiGene Inc. (NASDAQ: BGNE, HKSE: 6160) from July 2014 to December 2016. He led BeiGene Inc.'s clinical team in clinical development of its oncology pipeline, and developed the first anti-PD-1 mAb originated in China.

Prior to joining BeiGene Inc., Dr. Yang served as a medical director at Covance Inc. from September 2011 to July 2014. He further worked in Pfizer Inc. for global research and development, and served as a research scientist in cancer genomics division at Tularik Inc. (acquired by Amgen Inc. in 2004).

Throughout his career, Dr. Yang has made significant contributions to the successful development of several anticancer drugs. He is also the author of over 30 publications and the inventor of 9 patents. In 2015, he was enrolled as a "Distinguished Expert" in the "1000 Talents Program" run by the Organization Department of the Communist Party of China (中國共產黨中央委員會組織部) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) of the PRC. In July 2015, Dr. Yang was honored as a "High-Caliber Talent from Overseas" by the Organization Department of the CPC Beijing Central Municipal Committee (中共北京市委組織部) and the Beijing Municipal Bureau of Human Resources and Social Security (北京市人力資源和社會保障局).

Dr. Yang received a bachelor's degree in medicine from Hubei Medical College (湖北醫學院) in Hubei, China in July 1985 and a master's degree in pathophysiology from Nanjing Medical College (南京醫學院), (currently known as Nanjing Medical University (南京醫科大學)) in Nanjing, China in July 1988. He then received his Ph.D. training in biochemistry and molecular biology with Nobel Laureates Drs. Michael S. Brown and Joseph L. Goldstein at the University of Texas Southwestern Medical Center at Dallas, US in June 1995. He conducted his postdoctoral training in chemical biology with Dr. Stuart L. Schreiber at Harvard University in the United States in 1997.

Mr. Richard Yeh, aged 51, has been our Chief Financial Officer since July 2018. In this role, he is responsible for developing corporate financial strategies, and oversees investor relations, financial reporting, risk management, funding and IPO.

He has over 20 years of experience working for investment banks and multinational biopharmaceutical companies. Prior to joining our Company, Mr. Yeh was the managing director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong. He led the firm's research efforts on the Chinese and Asian healthcare market. Before that, Mr. Yeh served as the head of China healthcare research team at Citigroup Capital Markets Asia Limited.

Prior to focusing on the Chinese healthcare sector, Mr. Yeh worked in the US biotechnology sector. He joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ stock exchange (stock code: AMGN), in the position of Research Associate II in October 1995, conducting drug discovery research.

Mr. Yeh obtained an MBA from Cornell University in the United States in May 2002 and a Master of Science in medical biophysics from the University of Toronto and Ontario Cancer Institute in Canada in November 1995.

Dr. Bing Yuan, Ph.D., aged 50, is our Senior Vice President and Chief Business Officer and joined our Company in November 2016. In this role, he is responsible for commercial/business related functions, including commercialization strategy and product launch planning, commercialization and development of medical affairs team, business development and alliance management, public relations and supporting the CEO in strategic planning. He oversaw the Government Affairs Department until June 2019.

Dr. Yuan is a seasoned business executive with extensive experience in global business development and marketing strategy and made significant contributions to several global oncology brands. Before joining our Company, Dr. Yuan was Executive Director and Global Lead of Late Stage Oncology BD&L at Merck & Co., Inc., where he was instrumental in Keytruda clinical combination partnerships and several immuno-oncology deals.

Before Merck, he held various global oncology commercial positions with increasing responsibilities at Novartis Pharmaceuticals from January 2008 to July 2014, most recently as executive director and Head of Life Cycle Strategy. Before joining Novartis, he served as a senior manager for global marketing of oncology at Eisai Inc.

Dr. Yuan received an MBA from Cornell University in the United States in May 2002, a Master of Arts, a Master of Philosophy and a Ph.D. in cellular, molecular and biomedical studies from Columbia University in the United States in October 1995, October 1997 and May 2000 respectively, and a Bachelor of Science in biochemistry from Nanjing University (南京大學) in Nanjing, China in July 1991.

Dr. Xinzhong Wang, Ph.D., aged 56, is our Senior Vice President and Chief Scientific Officer and joined our Company in June 2017. In this role, he is responsible for the development of internal pipeline and advancement to and filing for IND. He also oversees our Company's Translational Medicine Research Center (TMRC) in Suzhou and is in charge of establishing collaboration with industrial partners and academic institutions to drive innovation in drug development.

Dr. Wang is an accomplished scientific leader with over 20 years of experience in oncology research and drug development in biopharmaceutical industry. He has extensive experience in tumor immunology, molecular and cell biology, drug target discovery, animal modeling, and protein therapeutics development. He has published more than 30 original scientific papers in prestigious journals and is the inventor or co-inventor of several international patents including four granted patents.

Before joining our Company, Dr. Wang was a director/senior principal scientist of immuno-oncology research at Merck Research Laboratories in Boston, Massachusetts of Merck and Co., Inc. (known as MSD outside of US and Canada) from January 2014 to June 2017. He led and oversaw research projects in relation to immunomodulatory receptor programs with Keytruda as backbone program. He also actively participated in evaluating business development opportunities to enrich Merck's pipeline and expand the Keytruda franchise.

Prior to joining Merck, Dr. Wang served as an associate director and a principal scientist of BioSuperiors Department at AstraZeneca/MedImmune LLC from April 2011 and January 2014. Previously, he worked at Biogen Idec. as a senior scientist at Gene Therapy group and then a principal scientist of tumor immunology from August 2002 to January 2011.

Dr. Wang graduated from Nankai University (南開大學) in Tianjin, China with a Bachelor of Science degree in biochemistry in July 1983 and received a Ph.D. in molecular and cellular biology from Ohio University, US in August 1993. He completed his postdoctoral training at the Gene Therapy Center of Massachusetts General Hospital in the United States from 1995 to 1998, and subsequently served as an instructor of medicine at Harvard Medical School in the United States from 1998 to 2001.

Dr. Ngai Chiu Archie Tse (謝毅釗), M.D., Ph.D., aged 52, is our Senior Vice President and Chief Translational Medicine Officer and joined our Company in December 2018. In this role, he is responsible for the development of assets at the early clinical development stage up to proof of concept. Dr. Tse also serves as the Secretariat of the Portfolio Review Board to assist Dr. Frank Ningjun Jiang, CEO and Chairman of our Board, in the development and implementation of our portfolio strategy and coordinate the Scientific Advisory Board to facilitate development and execution of our clinical strategy.

Dr. Tse is an accomplished medical and scientific leader with over 20 years of global oncology experience in the clinic and pharmaceutical institutions. Prior to joining our Company, Dr. Tse was a Distinguished Scientist (Executive Director) at Merck (known as MSD outside of US and Canada) from September 2015 to December 2018 in which role he oversaw the early clinical development of a number of novel agents in the immune-oncology pipeline, spanning various mechanisms and action and modalities. The programs he played a key role in spanned various mechanisms of action and modalities included, but not limited to, anti-CTLA4, STING agonists, bispecific Nandobodies, novel myeloid targets, oncolytic virus and personalized cancer vaccines. From January 2010 to August 2015, he served at Daiichi Sankyo Pharma Development, a Division of Daiichi-Sankyo, Inc., where his last title was Senior Director, Clinical Development. From July 2003 to December 2009, Dr. Tse served at the US Memorial Sloan Kettering Cancer Center (MSKCC) as Clinical Assistant in the Medicine/Gastrointestinal Oncology Department, and during the same period he was also a faculty member at the MSKCC affiliated Weill Cornell Medical School.

Dr. Tse obtained certification from American Board of Internal Medicine (ABMS) in medical oncology from November 2003 to December 2013 and in general internal medicine from August 2000 to December 2010.

Dr. Tse obtained his M.D. and a Ph.D. in Biochemistry & Molecular Biology from the University of Southern California in the United States in May 1997 and May 2002, respectively.

Dr. Jingrong Li, Ph.D., aged 59, is our Senior Vice President of Product Development and Manufacturing and joined our Company in December 2016. In this role, he is responsible for all CMC related affairs to ensure processes mature appropriately and meet requirements for all development stages, including bio/process development, scale-up, and analytical development.

Dr. Li worked as an executive director at Simcere Pharmaceutical (先聲藥業) from September 2011 and then as the general manager of BioSciKin Bio (百家滙生物), a subsidiary of Simcere, overseeing its operation and management from May 2016 to December 2016. He also served as a manager principal scientist at Roche Molecular Systems Inc. Between January 2000 and November 2003, Dr. Li was a full-time senior scientist at BioSpecifics Technologies Corp.

Dr. Li served as a NMPA-appointed expert for the Institute of Executive Development Training organized by the National Medical Products Administration.

Dr. Li obtained a Ph.D. in medicinal chemistry from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1990. After that, in the Department of Pharmacology at the Mount Sinai School of Medicine in New York, US, he worked as a post-doctorate with Dr. Sherwin Wilk from 1992 to 1996 and then as an instructor from 1996 to 2000.

Mr. Sanhu Wang (王三虎), aged 49, is our Senior Vice President of Government Affairs and joined our Company in June 2019. In this role, he is responsible for planning, setting and executing government affairs strategy and leading the Government Affairs Department.

Before joining the Company, Mr. Wang worked at Eleme, a subsidiary of Alibaba Group Holding Ltd. (a company listed on The New York Stock Exchange, stock code: BABA), as the Chief Food Safety Officer for 3 years and was responsible for government affairs and food safety supervision. Prior to his time at Eleme, Mr. Wang worked for Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 300760) as the Vice General Manager of Public Affairs. Before working in the private sector, Mr. Wang worked at China Food and Drug Administration (CFDA, later changed its name to NMPA) for 11 years and served as the Director of Division of Development and Planning, Associate Director of Department of General Administration, Assistant Director of Department of Emergency Management and Deputy Inspector of Department of Food Safety Supervision. Before joining CFDA, Mr. Wang was the Associate Director of the Health Bureau of Fengtai District, Beijing and had more than 10 years of experience in the field of public health.

Mr. Wang was selected by the Bureau of Foreign Expert Affairs for an education program at Duke University for Public Policy from June 2005 to December 2005 and he was also selected by the U.S. Government for the Humphrey Scholars program in Public Health at Emory University from August 2013 to August 2014.

Mr. Wang obtained his bachelor's degree in Preventive Medicine from Capital Medical University in July 1994 and master's degree in Public Health from Hebei Medical University in July 2000.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

The following are the changes in the information of Director since the date of the 2018 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:–

(a) Mr. Xiaomeng Tong resigned as a non-executive Director of the Company with effect from May 15, 2019.

(b) Mr. Yanling Cao has been appointed as a non-executive Director of the Company with effect from May 15, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the period from the Listing Date to June 30, 2019, 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 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.

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 June 30, 2019.

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 June 30, 2019.

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 June 30, 2019.

USE OF NET PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately HK$2,394.28 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Interests and short positions of our Directors in the share capital of the Company

As of June 30, 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company[1]
Dr. Frank Ningjun Jiang, CEO and Chairman of our Board	Beneficial Owner	55,765,736 Shares[2]	5.51%
	Trustor of a trust	6,760,000 Shares[3]	0.67%
Mr. Xiaomeng Tong, former non-executive Director[4]	Interest in controlled corporations	13,078,000 Shares	1.29%

Notes:

(1) The calculation is based on the total number of 1,012,010,532 Shares in issue as of June 30, 2019.

(2) Includes (1) 9,326,664 Shares beneficially held by Dr. Frank Ningjun Jiang, (2) Dr. Frank Ningjun Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options, and (3) Dr. Frank Ningjun Jiang's entitlement to restricted share units equivalent to 37,805,736 Shares, subject to vesting conditions.

(3) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018 as beneficial owner, where Dr. Frank Ningjun Jiang is the trustor, and by Yanni Xiao, the spouse of Dr. Frank Ningjun Jiang, as a legal nominee of the trust. Under the SFO, Dr. Frank Ningjun Jiang is deemed to be interested in these Shares.

(4) Mr. Xiaomeng Tong was a non-executive Director of the Company during the Reporting Period, who resigned on May 15, 2019.

Save as disclosed above and to the best knowledge of the Directors, none of the Directors or the chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as of June 30, 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of June 30, 2019, the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO are as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/ underlying shares	Approximately percentage of interest in our Company as of June 30, 2019[1]
WuXi Healthcare Ventures II, L.P.[2]	Beneficial interest	292,881,444	28.94%
WuXi Healthcare Management, LLC[2]	Interest in controlled corporation	292,881,444	28.94%
Graceful Beauty Limited[3]	Beneficial interest	146,950,948	14.52%
Boyu Capital Fund II, L.P.[3]	Interest in controlled corporation	146,950,948	14.52%
Boyu Capital General Partner II L.P.[3]	Interest in controlled corporation	146,950,948	14.52%
Boyu Capital General Partner II Ltd.[3]	Interest in controlled corporation	146,950,948	14.52%
Boyu Capital Holdings Limited[3]	Interest in controlled corporation	146,950,948	14.52%
Zhengze Yuanshi[4]	Beneficial interest	98,216,972	9.71%

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/ underlying shares	Approximately percentage of interest in our Company as of June 30, 2019[1]
Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥))[4]	Interest in controlled corporation	98,216,972	9.71%
Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司)[4]	Interest in controlled corporation	98,216,972	9.71%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司)[4]	Interest in controlled corporation	98,216,972	9.71%
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司)[4]	Interest in controlled corporation	98,216,972	9.71%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司)[4]	Interest in controlled corporation	98,216,972	9.71%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[4]	Interest in controlled corporation	98,216,972	9.71%
Fay Jianjiang (費建江)[4]	Interest in controlled corporation	98,216,972	9.71%
GIC Private Limited[5]	Interest in controlled corporation	48,392,472	4.78%
	Investment manager	28,905,500	2.86%
GIC Special Investments Private Limited [5]	Interest in controlled corporation	48,392,472	4.78%
GIC (Ventures) Pte. Ltd. [5]	Interest in controlled corporation	48,392,472	4.78%
Tetrad Ventures Pte Ltd [5]	Beneficial interest	48,392,472	4.78%

Notes:

(1) The calculation is based on the total number of 1,012,010,532 Shares in issue as of June 30, 2019.

(2) As of June 30, 2019, WuXi Healthcare Ventures II, L.P. directly held 292,881,444 Shares. To the best knowledge of our Company, WuXi Healthcare Ventures II, L.P. is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures II, L.P..

(3) As of June 30, 2019, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

(4) As of June 30, 2019, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心（有限合夥)), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fay Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fay Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

(5) As of June 30, 2019, Tetrad Ventures Pte Ltd directly held 48,392,472 shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte. Ltd. and managed by GIC Special Investments Pte Ltd, which in turn is wholly owned by GIC Private Limited. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte. Ltd. is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2019, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE INCENTIVIZATION SCHEMES

The Company has adopted three share incentivization schemes, collectively referred to as Share Incentivization Schemes.

Pre-IPO Incentivization Plan

The Company has adopted the Pre-IPO Incentivization Plan by the resolutions in writing by the Board passed on July 7, 2017 and as amended and restated on August 14, 2018 and as further amended and restated on January 26, 2019. No further options will be granted under the Pre-IPO Incentivization Plan.

As at June 30, 2019, pursuant to the Pre-IPO Incentivization Plan, the Company had granted to directors, executives and employees of the Group outstanding options to subscribe for 38,410,797 Shares, representing 3.80% of the total issued share capital of the Company as at June 30, 2019.

Movement of the options, which were granted under the Pre-IPO Incentivization Plan, during the Reporting Period is as follows:

			Number of options[1], [3] and [4] During the Reporting Period						
Category	Grant date[1], [2] and [5]	Outstanding as at 01/01/2019	Granted	Exercised	Canceled	Lapsed	Capitalisation Issue	Outstanding as at 30/06/2019	Exercise price US$
1. Director									
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2016	2,158,334	0	0	0	0	6,475,002	8,633,336	0.0250 - 0.0500
2. Continuous Contract Employees	July 11, 2016 to February 25, 2019	8,529,447	837,185	1,767,621	0	508,946	22,687,396	29,777,461	0.0250 - 0.5925
Total:		10,687,781	837,185	1,767,621	0	508,946	29,162,398	38,410,797	

Notes:

(1) 25% of the Shares vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining shall vest monthly in equal installments over the following 36 months.

(2) The relevant offer letter sets out the option exercise period of 10 years for each corresponding grantee.

(3) During the Reporting Period, no option was granted for adjustment under the Pre-IPO Incentivization Plan.

(4) There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

(5) The average closing price of the Shares immediately before the dates on which the options were exercised was not applicable as the Company was not yet listed during the relevant period.

(6) The exercise price is adjusted by the effect of capitalisation issue.

As at June 30, 2019, pursuant to the Pre-IPO Incentivization Plan, the Company had granted to directors, executives and employees of the Group RSUs representing 90,503,372 Shares, accounting for 8.94% of the total issued share capital of the Company as at June 30, 2019.

Details of RSUs granted under the Pre-IPO Incentivization Plan during the Reporting Period are as follows:

			Number of Shares underlying RSUs[1] and [2] During the Reporting Period					
Category	Grant date[1]	Outstanding as at 01/01/2019	Granted	Vested	Canceled	Lapsed	Capitalisation Issue	Outstanding as at 30/06/2019
1. Director								
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2018	4,240,956	5,210,478	0	0	0	28,354,302	37,805,736
2. Continuous Contract Employees	July 1, 2018 to March 28, 2019	5,726,585	7,447,824	0	0	0	39,523,227	52,697,636
Total:		9,967,541	12,658,302	0	0	0	67,877,529	90,503,372

Notes:

(1) 25% of the Shares vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining shall vest monthly in equal installments over the following 36 months.

(2) There are no participants with RSUs granted in excess of the individual limit and no grants to suppliers of goods and services.

Post-IPO ESOP

The Company has adopted the Post-IPO ESOP by resolutions passed by the Company on January 30, 2019, with effect upon completion of the Listing.

As at June 30, 2019, pursuant to the Post-IPO ESOP, the Company had granted to employees of the Group outstanding options to subscribe for 3,062,000 Shares, representing 0.30% of the total issued share capital of the Company as at June 30, 2019. Among the options granted above, none of the options were granted to any of the directors, chief executive and substantial shareholder of the Company or an associate of any of them.

Movement of the options, which were granted under the Post-IPO ESOP, during the Reporting Period is as follows:

			Number of options[1] and [3] During the Reporting Period						
Category	Grant date[1] and [2]	Outstanding as at 01/01/2019	Granted	Exercised	Canceled	Lapsed	Outstanding as at 30/06/2019	Exercise price HK$	Closing price immediately before the date of grant HK$
Continuous Contract Employees	April 1, 2019	0	1,174,000	0	0	0	1,174,000	15.86	15.88
	June 10, 2019	0	1,888,000	0	0	0	1,888,000	12.60	12.12
Total:		0	3,062,000	0	0	0	3,062,000		

Notes:

(1) 25% of the Shares vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining shall vest monthly in equal installments over the following 36 months.

(2) The relevant offer letter sets out the option exercise period of 10 years for each corresponding grantee.

(3) There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

Post-IPO RSU Scheme

Subsequent to the Reporting Period, the Company has adopted the Post-IPO RSU Scheme by resolutions passed by the Company on March 22, 2019.

As at June 30, 2019, pursuant to the Post-IPO RSU Scheme, the Company had granted to employees of the Group RSUs representing 6,946,178 Shares, accounting for 0.69% of the total issued share capital of the Company as at June 30, 2019.

Details of RSUs granted under the Post-IPO RSU Scheme, during the Reporting Period are as follows:

			Number of Shares underlying RSUs[1] and [2] During the Reporting Period				
Category	Grant date[1]	Outstanding as at 01/01/2019	Granted	Vested	Canceled	Lapsed	Outstanding as at 30/06/2019
Continuous Contract Employees	March 22, 2019 to June 10, 2019	0	6,946,178	0	0	0	6,946,178
Total:		0	6,946,178	0	0	0	6,946,178

Notes:

(1) 25% of the Shares vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining shall vest monthly in equal installments over the following 36 months.

(2) There are no participants with RSUs granted in excess of the individual limit and no grants to suppliers of goods and services.

For further details of the Share Incentivization Schemes, please refer to note 17 to the Condensed Consolidated Financial Statements.

SUMMARY OF THE SHARE INCENTIVIZATION SCHEMES

The major terms and details of the Share Incentivization Schemes are set out below:

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
1. Purpose	To attract, motivate and/or to reward eligible employees, officers, directors, contractor, advisors and consultants of our Group	To attract and retain employees, to reward eligible employees for their past contribution to the Company, to provide incentives to the employees to further contribute to the Group and to align their interests with the best interests of the Company and the Shareholders as a whole	To: • recognise the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company; • encourage and retain such individuals for the continual operation and development of the Group; • provide additional incentives for them to achieve performance goals; • attract suitable personnel for further development of the Group; and • motivate the selected participants to maximize the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the Shareholders of the Company through ownership of Shares

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
2. Participants	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible by reason of their contribution to the Group	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an employee eligible by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules and regulations or accounting or tax rules and regulations	Eligible persons include any employee of any member of the Group and any consultant, adviser or agent of any member of the Group, who have contributed or will contribute to the growth and development of the Group
3. Maximum number of shares that can be awarded	The maximum number of Shares in respect of which awards may be granted under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 130,831,252 Shares in the aggregate (taken into account of the capitalization issue on the Listing Date)	The maximum number of Shares in respect of which awards may be granted or delivered in satisfaction of awards under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 98,405,153 (taken into account of the capitalization issue on the Listing Date), being 10% of the Shares in issue as at the adoption date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the plan and any other schemes must not exceed 30% of the relevant class of Shares in issue from time to time	The Board may not make any further award which will result in the aggregate number of the Shares awarded by the Board under the scheme exceeding, initially, 7,650,000 Shares (taken into account of the capitalization issue on the Listing Date), being approximately 0.78% of the issued share capital of the Company as at the adoption date

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
4. Maximum entitlement of each participant	No employee shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which for the time being subsisting and unexercised, would exceed 10% of the aggregate number of Shares for the time being issued and issuable under the plan	Except with the approval of the Shareholders in general meeting, no option may be granted to any one person which, if exercised or settled in full, such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time	The maximum number of Shares which may be awarded to any one selected participant under the scheme may not exceed 9,840,515 Shares (taken into account of the capitalization issue on the Listing Date), being 1% of the issued share capital of the Company as at the adoption date
5. Option period	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan, which, in any event, must end on or before the 10th anniversary of the date of the grant of such option There is no minimum period for which an option must be held before it can be exercised	The vesting of the awarded Shares is subject to the selected participant remaining at all times after the grant date and on the date of vesting, an eligible person, subject to the rules of the scheme Subject to the satisfaction of all vesting conditions as prescribed in scheme, the selected participants will be entitled to receive the awarded Shares
6. Acceptance of offer	Awards granted must be accepted within the period as stated in the offer of the grant, upon payment of exercise price as set out in the relevant offer letter per grant, if any		

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
7. Exercise price	The subscription price shall be approved by the Board and shall be set out in the offer letter The exercise prices of the options granted between the adoption date and June 30, 2019 include US$0.1, US$0.2, US$0.57 and US$2.37 (without taking into account the effect of the capitalisation issue)	The subscription price shall be approved by the Board and shall be set out in the offer letter. The subscription price per Share of each award requiring exercise must be no less than 100% of the Fair Market Value of the Shares subject to the award, determined as of the date of grant, or such higher amount as the Board may determine in connection with the grant in accordance with the applicable laws, stock market or exchange rules (including the Listing Rules) and regulations and the terms of the plan. "Fair Market Value" means the higher of (a) the closing price of a Share on the date of grant, which must be a business day, on the principal stock market or exchange on which the Shares are quoted or traded, and (b) the average closing price of a Share for the five trading days immediately preceding the date of grant, on the principal stock market or exchange on which the Shares are quoted or traded	–
8. Remaining life of the scheme	The plan shall be valid and effective for the period of ten years commencing on the adoption date until July 7, 2027 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted	The plan shall be valid and effective for the period of ten years commencing on the adoption date until February 26, 2029 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted	The scheme remains valid and effective from the adoption date until March 22, 2029, being the tenth anniversary of the adoption date, after which period no further awards will be granted, but the provisions of the scheme will in all other respects remain in full force and effect and awards that are granted from the adoption date until the tenth anniversary of the adoption date may continue to be exercisable in accordance with their terms of issue

Report on Review of Condensed Interim Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CSTONE PHARMACEUTICALS
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CStone Pharmaceuticals (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 72, which comprise the condensed consolidated statement of financial position as of June 30, 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation on these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 14, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended June 30, 2019

	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	6	**(1,235,794)**	(744,262)
Other comprehensive (expense) income for the period:			
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)	8	**(1.35)**	(1.36)

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	NOTES	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**12,819**	14,473
Right-of-use assets	9	**7,263**	–
Deposits for acquisition of property, plant and equipment and intangible assets		**578**	58
Other intangible assets		**847**	897
Other receivables	10	**21,003**	11,742
		42,510	27,170
Current assets			
Deposits, prepayments and other receivables	10	**52,878**	46,984
Other investments classified as financial assets measured at fair value through profit or loss ("FVTPL")	11	**11,744**	16,792
Debt instruments at FVTOCI	11	**–**	78,620
Restricted bank deposit		**620**	–
Time deposits	12	**1,673,667**	761,216
Cash and cash equivalents	12	**1,660,576**	701,336
		3,399,485	1,604,948
Current liabilities			
Trade and other payables and accrued expenses	13	**78,645**	93,574
Lease liabilities		**5,773**	–
Derivative financial liabilities	15	**–**	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	14	**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	16	**675**	29
Preferred share capital	15	**–**	94
Treasury shares held in the trust	16	**(26)**	–
Reserves		**3,346,560**	515,208
Total equity		**3,347,209**	515,331

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended June 30, 2019

	Attributable to owners of the Company										
	Ordinary share capital *RMB'000*	Preferred share capital *RMB'000*	Share premium *RMB'000*	Investments revaluation reserve *RMB'000*	Other reserve *RMB'000 (note)*	Treasury shares held in the trust *RMB'000 (note 16(d))*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At January 1, 2019 (Audited)	**29**	**94**	**2,685,871**	**350**	**(92,681)**	**–**	**221,940**	**(2,300,272)**	**515,331**	**–**	**515,331**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,235,794)**	**(1,235,794)**	**–**	**(1,235,794)**
Other comprehensive expense for the period	**–**	**–**	**–**	**(350)**	**–**	**–**	**–**	**–**	**(350)**	**–**	**(350)**
Total comprehensive expense for the period	**–**	**–**	**–**	**(350)**	**–**	**–**	**–**	**(1,235,794)**	**(1,236,144)**	**–**	**(1,236,144)**
Shares issued to trust and converted to the treasury shares	**6**	**–**	**–**	**–**	**–**	**(6)**	**–**	**–**	**–**	**–**	**–**
Exercise of share options *(note 17)*	**1**	**–**	**22,498**	**–**	**–**	**–**	**(19,771)**	**–**	**2,728**	**–**	**2,728**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**203,026**	**–**	**203,026**	**–**	**203,026**
Capitalisation Issue *(as defined in note 16(f))*	**401**	**–**	**(381)**	**–**	**–**	**(20)**	**–**	**–**	**–**	**–**	**–**
Automatic conversion of preferred shares ("Preferred Shares") upon initial public offering ("IPO") *(note 15)*	**94**	**(94)**	**1,772,112**	**–**	**–**	**–**	**–**	**–**	**1,772,112**	**–**	**1,772,112**
Shares issued upon IPO and over-allotment	**144**	**–**	**2,193,513**	**–**	**–**	**–**	**–**	**–**	**2,193,657**	**–**	**2,193,657**
Transaction costs attributable to issuance of new shares	**–**	**–**	**(103,501)**	**–**	**–**	**–**	**–**	**–**	**(103,501)**	**–**	**(103,501)**
At June 30, 2019 (Unaudited)	**675**	**–**	**6,570,112**	**–**	**(92,681)**	**(26)**	**405,195**	**(3,536,066)**	**3,347,209**	**–**	**3,347,209**
At January 1, 2018 (Audited)	26	49	706,710	(1,477)	238,569	–	37,456	(554,995)	426,338	24,714	451,052
Loss for the period	–	–	–	–	–	–	–	(717,637)	(717,637)	(26,625)	(744,262)
Other comprehensive income for the period	–	–	–	1,902	–	–	–	–	1,902	–	1,902
Total comprehensive income (expense) for the period	–	–	–	1,902	–	–	–	(717,637)	(715,735)	(26,625)	(742,360)
Issue of restricted shares	1	–	–	–	–	–	–	–	1	–	1
Issue of Preferred Shares *(note 15)*	–	29	1,604,744	–	–	–	–	–	1,604,773	–	1,604,773
Recognition of equity-settled share-based payment	–	–	–	–	(4,932)	–	34,176	–	29,244	4,932	34,176
Deemed acquisition of additional equity interest in a subsidiary	–	–	–	–	(46,325)	–	–	–	(46,325)	46,325	–
At June 30, 2018 (Unaudited)	27	78	2,311,454	425	187,312	–	71,632	(1,272,632)	1,298,296	49,346	1,347,642

Note: Other reserve included (1) share-based payment recognised as deemed losses to non-controlling interest; (2) differences between the carrying amounts of net assets attributable to the non-controlling interests at the date of capital injection to a subsidiary, fair value of the respective conversion features of Preferred Shares at date of injection and the relevant proceeds received, and (3) adjustment to non-controlling interests in 基石藥業(蘇州)有限公司 as a result of additional capital injection by the Group.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2019

	NOTE	For the six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES`		**(389,698)**	(481,982)
INVESTING ACTIVITIES			
Interest received		**6,137**	4,428
Receipt of return from money market funds		**5,117**	–
Deposit paid for property, plant and equipment and intangible assets		**(578)**	(334)
Purchase of property, plant and equipment		**(1,595)**	(2,460)
Purchase of intangible assets		**(68)**	(653)
Placement of restricted bank deposits		**(620)**	–
Payment of rental deposits		**(630)**	–
Purchase of debt instruments at FVTOCI		**(4,640)**	(229,904)
Proceeds on redemption of other investments classified as financial assets measured at FVTPL		**5,303**	24,336
Proceeds on redemption of debt instruments at FVTOCI		**81,900**	301,855
Placement of time deposits with maturity date over three months		**(888,378)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(798,052)**	97,268
FINANCING ACTIVITIES			
Proceeds on issue of ordinary shares		**2,193,657**	1
Proceeds on issue of Preferred Shares		**–**	1,648,218
Repayment of lease liabilities		**(1,845)**	–
Interest paid on lease liabilities		**(149)**	–
Exercise of share options		**2,728**	–
Payment of transaction costs attributable to issuance of new shares		**(100,948)**	–
NET CASH FROM FINANCING ACTIVITIES		**2,093,443**	1,648,219
NET INCREASE IN CASH AND CASH EQUIVALENTS		**905,693**	1,263,505
CASH AND CASH EQUIVALENTS AT JANUARY 1,		**701,336**	83,390
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**53,547**	63,299
CASH AND CASH EQUIVALENTS AT JUNE 30,	*12*	**1,660,576**	1,410,194

1. GENERAL AND BASIS OF PREPARATION

CStone Pharmaceuticals (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2015 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from February 26, 2019 (the "Listing Date").

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 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 of Hong Kong Limited (the "Stock Exchange"). The condensed consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Application of new and amendments to IFRSs

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

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term recognition exemption to leases of motor vehicles, equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

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%.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

	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 at January 1, 2019	*(b)*	64
		6,229
By class:		
Land and buildings		6,079
Furniture, fixtures and equipment		150
		6,229

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position 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 Asset				
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 asset.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at January 1, 2019 as disclosed above.

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 which are prepared based on the same accounting policies as set out in Note 2 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

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 expenditure incurred for plant and machinery and are recognised over the useful life of the related assets; and (ii) the improvement of working capital and compensation of research and development expenses incurred with no further unfulfilled conditions.

4. OTHER INCOME AND OTHER GAINS AND LOSSES (continued)

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 *(note 11)*	**255**	731
Gain on redemption of debt instruments at FVTOCI *(note 11)*	**662**	201
Loss on fair value changes of derivative financial liabilities *(note 15)*	**(756,464)**	(268,851)
Net foreign exchange gains	**60,313**	65,691
	(695,234)	(202,228)

5. 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 law 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%.

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.

6. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss for the period has been arrived at after charging the following items:		
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 expenses	**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

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. 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 Capitalisation Issue as set out in note 16(f) 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 RSU (as defined in note 17(b)) that have been vested but not yet registered (note 17), 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 (note 17(a)), the unvested RSU (as defined in note 17(b)) and the conversion of Preferred Shares and over-allotment options as their inclusion would be anti-dilutive.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of approximately RMB1,313,000 (six months ended June 30, 2019: RMB1,560,000) in order to upgrade its research and development capabilities. The Group also entered into a new lease agreement for its office premises for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised RMB3,130,000 of right-of-use assets and RMB3,085,000 lease liabilities.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	June 30, 2019 RMB'000 (Unaudited)	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

Notes: As at December 31, 2018, the balance represents receivables from Dr. Jiang Frank Ningjun ("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.

11. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FVTPL/DEBT INSTRUMENTS AT FVTOCI

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Other investments classified as financial assets measured at FVTPL		
– Wealth management plans *(note a)*	**11,744**	16,792
Debt instruments at FVTOCI		
– Corporate bonds *(note b)*	**–**	37,325
– Treasury bills *(note c)*	**–**	41,295
	–	78,620

Notes:

(a) The Group entered into contracts in respect of wealth management plans managed by financial institutions. The principal is unguaranteed by the relevant financial institutions with expected return as stated in the contracts at 3.6% per annum as at June 30, 2019 (December 31, 2018: 3.6% per annum). All investments have maturity dates within one year and are classified as other investments classified as financial assets mandatorily measured at FVTPL.

(b) The Company invested in listed corporate bonds which are traded publicly in the United States with effective interest rates ranging from 1.7% to 2.25% per annum as at December 31, 2018 and the bonds were fully redeemed by the Company during the six months ended June 30, 2019. The investment was classified as debt instruments at FVTOCI.

(c) The Company also held United States treasury bills with effective interest rates ranging from 0.75% to 1.25% per annum as at December 31, 2018 and the bills were fully redeemed by the Company during the six months ended June 30, 2019. The investment was classified as debt instruments at FVTOCI.

12. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Time deposits	**1,673,667**	761,216

The time deposits are placed with a bank in the PRC with a term of 1 year upon placement. Since the time deposits will be matured within 1 year from June 30, 2019 and December 31, 2018, the time deposits are classified as current assets.

Cash and cash equivalents

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Cash at banks	**197,018**	66,023
Cash equivalents *(note)*		
– Money market funds	**223,753**	635,313
– Time deposits	**1,239,805**	–
	1,660,576	701,336

Note: Cash equivalents represent (1) investments in a public debt constant net asset value money market fund, and low volatility net asset value money market fund; and (2) time deposits with maturity date within three months on the initial placement date.

13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	June 30, 2019 RMB'000 (Unaudited)	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:

	June 30, 2019 RMB'000 (Unaudited)	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 made to outsourced service providers including contract research organisations and clinical trial sites.

14. DEFERRED INCOME

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Subsidies related to property, plant and equipment *(note a)*	**3,279**	3,385
Other subsidies *(note b)*	**5,680**	4,180
	8,959	7,565
Analysed as:		
Non-current	**8,959**	7,565

Notes:

(a) The Group received government subsidies for capital expenditure incurred for the plant, machineries and spare parts. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) During the six months ended June 30, 2019, the Group received government subsidies of approximately RMB1.5 million towards research and development projects in connection with the improvement of working capital and compensation of research and development expenses incurred by the Group (December 31, 2018: RMB4.2 million). Certain conditions have to be fulfilled until these subsidies can be regarded as fully granted. As at June 30, 2019 and December 31, 2018, the relevant conditions have not been fully fulfilled and therefore, the government subsidies were deferred.

15. PREFERRED SHARES

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 US$0.0001 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 successful IPO of the Company on February 26, 2019.

15. PREFERRED SHARES (continued)

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%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

15. PREFERRED SHARES (continued)

Presentation and Classification (continued)

Conversion features

	At January 1, 2019 *RMB'000 (Audited)*	Fair value changes *RMB'000*	Automatic conversion of Preferred Shares upon IPO *RMB'000*	At June 30, 2019 *RMB'000 (Unaudited)*
Series A				
– Tranche 1	321,214	258,641	(579,855)	–
– Tranche 2	249,428	194,411	(443,839)	–
– Tranche 3	30,694	16,264	(46,958)	–
– Tranche 4	235,684	192,502	(428,186)	–
Series B	178,628	94,646	(273,274)	–
	1,015,648	756,464	(1,772,112)	–

16. ORDINARY SHARE CAPITAL

	Number of shares	**Share capital *US$'000***
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorised		
At January 1, 2018 (audited)	402,500,000	40
Reclassification and re-designation on issuance of Series B Preferred Shares *(note a)*	(46,261,962)	(5)
At June 30, 2018 (unaudited), December 31, 2018 (audited) and January 1, 2019 (audited)	356,238,038	35
Increase in authorised share capital on February 26, 2019 *(note h)*	1,643,761,962	165
At June 30, 2019 (unaudited)	2,000,000,000	200

16. ORDINARY SHARE CAPITAL (continued)

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issued and fully paid			
At January 1, 2018 (audited)	40,000,000	4	26
Issuance of restricted shares *(note b)*	1,000,000	–	1
At June 30, 2018 (unaudited)	41,000,000	4	27
Exercise of share options *(note c)*	3,270,599	–	2
At December 31, 2018 (audited) and January 1, 2019 (audited)	44,270,599	4	29
Exercise of share options *(note e)*	1,767,621	–	1
Issuance of shares to trust *(note d)*	9,672,192	1	6
Automatic conversion of Preferred Shares upon IPO	143,703,471	14	94
Capitalisation Issue *(note f)*	598,241,649	60	401
Issuance of ordinary shares on IPO *(note g)*	186,396,000	19	125
Issuance of shares on exercise of over-allotment option *(note g)*	27,959,000	3	19
At June 30, 2019 (unaudited)	1,012,010,532	101	675

Notes:

(a) On April 28, 2018, the Company redesignated and reclassified 46,261,962 shares in its authorised capital into Series B Preferred Shares.

(b) On April 1, 2018, 1,000,000 restricted shares with subscription price of US$0.0001 per share were issued to Dr. Jiang, with details set out in note 22 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

(c) During the year ended December 31, 2018, share option holders exercised their rights to subscribe for 3,021,666 and 248,933 ordinary shares in the Company at US$0.17 and US$0.10 per share, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(d) On January 31, 2019, the Company and Maples Trustee Services (Cayman) Limited (the "Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust which entered into a trust deed pursuant to which the Trustee has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 17(a)) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the nominee, CStone Incentive Limited (the "Nominee"). 9,672,192 ordinary shares (equivalent to 38,688,768 shares after the Capitalisation Issue as defined in note 16(f)) (the "Shares"), which equals the residual number of ordinary shares in the incentive pool approved by the Board of Directors of the Company before February 26, 2019, i.e. the IPO date, to the Nominee to set aside a pool of ordiniary shares to satisfy the pre-IPO share options and share awards granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(e) During the six months ended June 30, 2019, share option holders exercised their rights to subscribe for 410,130, 1,318,230 and 39,261 ordinary shares in the Company at US$0.10 and US$0.20, US$2.37 per share, respectively (without taking into account the effect of the capitalisation issue). The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

16. ORDINARY SHARE CAPITAL (continued)

Notes: (continued)

(f) Pursuant to the written resolutions of the shareholders of the Company passed on January 30, 2019, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the Initial Public Offering ("IPO"), an aggregate of 598,241,649 shares credited as fully paid at par were alloted and issued on the Listing Date to the holders of ordinary 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 existing respective shareholdings (save that no holder of ordinary shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a share). The shares allotted and issued pursuant to this resolution (the "Capitalisation Issue") rank pari passu in all respects with the then existing issued shares of the Company.

(g) In connection with the Company's IPO, 186,396,000 and 27,959,000 ordinary shares of the Company with US$0.0001 par value each were issued at HK$12 per share for a total gross cash consideration of HK$2,236,752,000 and HK$335,508,000 (equivalent to RMB1,907,949,000 and RMB285,708,000), on February 26, 2019 and March 26, 2019, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(h) Pursuant to the special resolutions passed by the then shareholders of the Company on January 30, 2019, the authorised share capital has been increased to US$200,000 divided into 2,000,000,000 shares of par value of US$0.0001 each with effect from the Listing Date.

17. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

During the year ended December 31, 2016, the Group granted share options under its employee stock option plan (the "Pre-IPO ESOP") for the purpose of incentivising, retaining and rewarding certain employees and board members of the Company or its subsidiaries for their contributions to the Group's business, and to align their interests with those of the Group.

On August 3, 2018, the directors of the Company resolved to adopt and approved the amended and restated employee equity plan (the "Pre-IPO Incentivisation Plan") for the purpose of granting restricted share units (as disclosed in note 17(b)) and other equity incentive permitted by the Pre-IPO Incentivisation Plan to the employees, directors of the Company, consultants and advisors of the Company.

For details of the Pre-IPO ESOP and the Pre-IPO Incentivisation Plan, please refer to note 22(b) to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Pre-IPO ESOP (continued)

The following table discloses movements of the Company's share options held by grantees during the period:

	Number of Pre-IPO ESOP share options	
	Director	**Employees**
Outstanding at January 1, 2019 (audited)	2,158,334	8,529,447
Granted before Capitalisation Issue *(as defined in note 16(f))*	–	837,185
Forfeited	–	(508,946)
Exercised	–	(1,767,621)
Capitalisation Issue	6,475,002	22,687,396
Outstanding at June 30, 2019 (unaudited)	8,633,336	29,777,461

At June 30, 2019 (unaudited), 11,190,539 outstanding Pre-IPO ESOP share options after Capitalisation Issue (December 31, 2018: 3,144,141) were exercisable.

The following table discloses the weighted average exercise price of the Company's Pre-IPO ESOP share options held by grantees during the period:

	Weighted average exercise price*	
	Director ***US$ (Unaudited)***	**Employees** ***US$ (Unaudited)***
Granted	–	0.16
Forfeited	–	0.11
Exercised	–	0.06

* Adjusted by the effect of Capitalisation Issue.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

Fair value of the Pre-IPO ESOP share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model was used to determine the fair value of the share options granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

During the current interim period, the Group granted 837,185 Pre-IPO ESOP share options to its employees throughout January 1, 2019 to the Listing Date by various batches. The range of the key inputs for the Pre-IPO ESOP share options granted during the current interim period were as follows:

	For the six months ended June 30, 2019*
Grant date option fair value per share	**US$0.82 – US$1.39**
Weighted average share price	**US$1.28 – US$1.53**
Exercise price	**US$0.14 – US$0.59**
Expected volatility	**57.70% – 58.75%**
Expected life	**4 years**
Risk-free rate	**2.43% – 2.45%**
Expected dividend yield	**0%**

* Adjusted by the effect of Capitalisation Issue.

For the current interim period, the weighted average fair value of the Pre-IPO ESOP share options granted is US$1.24 per share after adjusting the effect of the Capitalisation Issue.

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share options granted to a director of the Company and employees of the Group are approximately RMB40,602,000 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB16,215,000).

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP

Pursuant to a resolution passed on January 30, 2019, the directors of the Company further adopted an employee equity plan (the "Post-IPO ESOP") to grant option awards to any employee, officer, director, contractor, advisor or consultant of the Group by reason of his or her contribution to the Group. The Post-IPO ESOP shall be valid and effective for a period of ten years commencing on February 26, 2019. Options granted must be taken up within the period specified in the letter containing the offer of the grant of the options. The total number of shares in respect of share options may be granted under the Post-IPO ESOP is not permitted to exceed 10% of the shares of the Company in issue immediately after completion of the IPO and as at the Listing Date (i.e. 98,405,153 shares), without prior approval from the shareholders of the Company.

Unless otherwise approved by the directors of the Company and set forth in an offer letter, the vesting schedule should be forty-eight months consisting of a cliff vesting of twenty five percent on the first anniversary of the vesting commencement date and, thereafter, monthly vesting of equal instalments over the following thirty-six months, provided that the grantee continues to be an eligible employee (as described under the Post-IPO ESOP) as of each such vesting date.

The table below discloses movements of the Post-IPO ESOP share options held by grantees:

	Number of Post-IPO ESOP share options Employees
At January 1, 2019 (audited)	–
Granted	**3,062,000**
At June 30, 2019 (unaudited)	**3,062,000**

At June 30, 2019, no outstanding Post-IPO ESOP share options were exercisable and the weighted average exercise price is HK$13.90 per share.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

Fair value of the Post-IPO ESOP share options granted

OPM model was used to determine the fair value of the Post-IPO ESOP share options granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

	For the six months ended June 30, 2019 *(Unaudited)*
Grant date option fair value per share	**HK$5.74 – HK$7.19**
Weighted average share price	**HK$12.60 – HK$15.86**
Exercise price	**HK$12.60 – HK$15.86**
Expected volatility	**62.05% – 62.57%**
Expected life	**4 years**
Risk-free rate	**1.48% – 1.89%**
Expected dividend yield	**0%**

During the current interim period, the Group has granted 1,174,000 and 1,888,000 Post-IPO ESOP share options in April 2019 and June 2019, respectively.

For the current interim period, the weighted average fair value of the Post-IPO ESOP options granted is HK$6.38 per share.

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Bonds with a maturity life close to the option life of the Post-IPO ESOP share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. For the six months ended June 30, 2019, the total expenses recognised in the condensed consolidated statements of profit or loss and other comprehensive income for the Post-IPO ESOP share options granted to a director of the Company and employees are approximately RMB1,397,000 (unaudited) (six months ended June 30, 2018: nil (unaudited)).

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU")

The Pre-IPO RSU Plan

During the year ended December 31, 2018, the Company issued Pre-IPO RSU Plan in accordance with Pre-IPO Incentivisation Plan. The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Pre-IPO RSUs granted to a director of the Company and employees are approximately RMB149,402,000 for the six months ended June 30, 2019 (six months ended June 30, 2018: nil). Details of the Pre-IPO RSU Plan are set out in note 22(c) to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

The following table summarised the Group's Pre-IPO RSUs movement during the period:

	Number of Pre-IPO RSUs	
	Dr. Jiang	Employees
	2019	2019
At January 1, 2019 (audited)	**4,240,956**	5,726,585
Granted before Capitalisation Issue	**5,210,478**	7,447,824
Capitalisation Issue	**28,354,302**	39,523,227
At June 30, 2019 (unaudited)	**37,805,736**	52,697,636

As at June 30, 2019, 15,503,105 Pre-IPO RSUs (December 31, 2018: 3,182,067 Pre-IPO RSUs) have been vested but not yet registered, and 75,000,267 Pre-IPO RSUs (December 31, 2018: 6,785,474 Pre-IPO RSUs) remained unvested.

Fair value of the Pre-IPO RSUs granted

Back-solve method was used to determine the underlying equity fair values of the Company. Key assumptions, such as years to liquidation event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

Fair value of the Pre-IPO RSUs granted (continued)

The key inputs into the model other than the underlying equity fair value of the Company at grant date were 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%**

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the period from the valuation date to the expected liquidation date. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to the expected liquidation date.

The Post-IPO RSU Plan

During the six-month ended June 30, 2019, a restricted share award scheme (the "Post-IPO RSU Plan") was approved and adopted pursuant to a resolution passed on March 22, 2019. The directors of the Company may, from time to time, at its absolute discretion grant RSUs to an eligible person in accordance with the Post-IPO RSU Plan. The overall limit on the number of RSUs under the Post-IPO RSU Plan is 7,650,000 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO RSU Plan shall not exceed 1% of the issued share capital of the Company as at March 22, 2019.

The vesting of the Post-IPO RSUs granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the Post-IPO RSU Plan.

The grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

The RSUs granted to the eligible person under the Post-IPO RSU Plan shall be restricted to eligible person only and shall not be assignable to other person. No eligible person may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the award. The Post-IPO RSU Plan will be expired on March 23, 2029.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Post-IPO RSU Plan (continued)

The total expense recognise in the unaudited condensed statement of profit or loss and other comprehensive income for the six months ended June 30, 2019 for the Post-IPO RSU granted are approximately RMB11,625,000 (six months ended June 30, 2018: nil).

The following table summarised the Group's Post-IPO RSUs and movement during the period:

	Number of Post-IPO RSUs
	Employees
At January 1, 2019 (audited)	–
Granted after Capitalisation Issue	6,946,178
At June 30, 2019 (unaudited)	6,946,178

As at June 30, 2019, 6,946,178 Post-IPO RSUs remained unvested.

The fair value of the Post-IPO RSUs is measured on the basis of an observable market price.

(c) Restricted share awards

On April 1, 2018, the Company issued an aggregate of 1,000,000 restricted shares to Dr. Jiang at a subscription price of US$0.0001 per share. The restricted share awards granted to Dr. Jiang during 2018 was fully vested as of December 31, 2018.

Details of the terms of the restricted share awards granted in 2018 are set out in note 22(a) to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

(d) Series B-2 Preferred Shares

On August 3, 2018, the directors of the Company resolved that the Company will issue up to an additional 353,144 Series B-2 Preferred Shares at the purchase price of US$5.6634 per share to a limited partnership approved by the Company which is owned by the employees of the Group. On August 22, 2018, the directors of the Company further approved and announced the granting of the Series B-2 Preferred Shares to respective employees, and these 332,165 Series B-2 Preferred Shares were issued by the Company on September 25, 2018.

For details of the Series B-2 Preferred Shares, please refer to note 22(d) to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

The Series B-2 Preferred Shares granted to employees were automatically converted into ordinary shares of the Company upon the IPO of the Company on February 26, 2019.

18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

The basis of determining the inputs and assumptions and the estimation techniques in connection with the impairment assessment on financial assets subject to ECL model used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those follow in the preparation of the Group's consolidated financial statements for the year ended December 31, 2018. The directors of the Company considered that the ECL allowance for the financial assets of the Group is insignificant at the end of the reporting period.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values to various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categories (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	June 30, 2019 *RMB'000 (Unaudited)*	December 31, 2018 *RMB'000 (Audited)*				
(1) Wealth management products	**11,744**	16,792	Level 2	Income approach – In this approach, the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A
(2) Conversion features derivatives	**–**	1,015,648	Level 3	Back-solve method and OPM model – the key inputs are: time to liquidation, risk-free interest rate, volatility and dividend yield, and possibilities under liquidation and IPO scenario	Possibilities under liquidation scenario at December 31, 2018: 50% Possibilities under IPO scenario at December 31, 2018: 50%	The higher the possibilities to IPO, the higher the fair value
(3) Corporate bonds	**–**	37,325	Level 1	Quoted bid prices in active market	N/A	N/A
(4) Treasury bills	**–**	41,295	Level 1	Quoted bid prices in active market	N/A	N/A
(5) Money market funds classified as cash equivalents measured at FVTPL	**223,753**	635,313	Level 2	Based on the net asset values of the fund, which is determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A

There were no transfer between Level 1, 2 and 3 for both reporting periods.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for conversion features derivatives are set out in note 15.

Fair value gains or losses on derivative financial liabilities measured at FVTPL are included in "Loss on fair value changes of derivative financial liabilities measured at FVTPL" under "other gains and losses".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors of the Company and other members of key management was as follows:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Short term benefits	**18,199**	9,353
Retirement benefit scheme contribution	**174**	103
Share-based payments	**166,626**	28,763
	184,999	38,219

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

21. CAPITAL COMMITMENTS

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Contracted for but not provided:		
Property, plant and equipment	**1,013**	–
Intangible asset	**180**	–
	1,193	–

22. SIGNIFICANT SUBSEQUENT EVENT

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.

Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"Agios"	Agios Pharmaceuticals, Inc., a corporation incorporated on August 7, 2007 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: AGIO)
"Audit Committee"	the audit committee of the Board
"Blueprint"	Blueprint Medicines Corporation, a corporation incorporated on October 14, 2008 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: BPMC)
"Board", "our Board" or "Board of Directors"	the board of directors of our Company
"CAGR"	compound annual growth rate
"CDE"	Center for Drug Evaluation
"China" or "PRC"	the People's Republic of China, for the purposes of this report only, excluding Hong Kong and Macau SAR and Taiwan
"CG Code"	The Corporate Governance Code sets out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Company", "CStone", "our Company", or "the Company"	CStone Pharmaceuticals, (Stock code: 2616) an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 2, 2015, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Compensation Committee"	the compensation committee of the Board
"Condensed Consolidated Financial Statements"	the condensed consolidated financial statements of the Group
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CTA"	clinical trial agreement
"Director(s)"	the director(s) of our Company

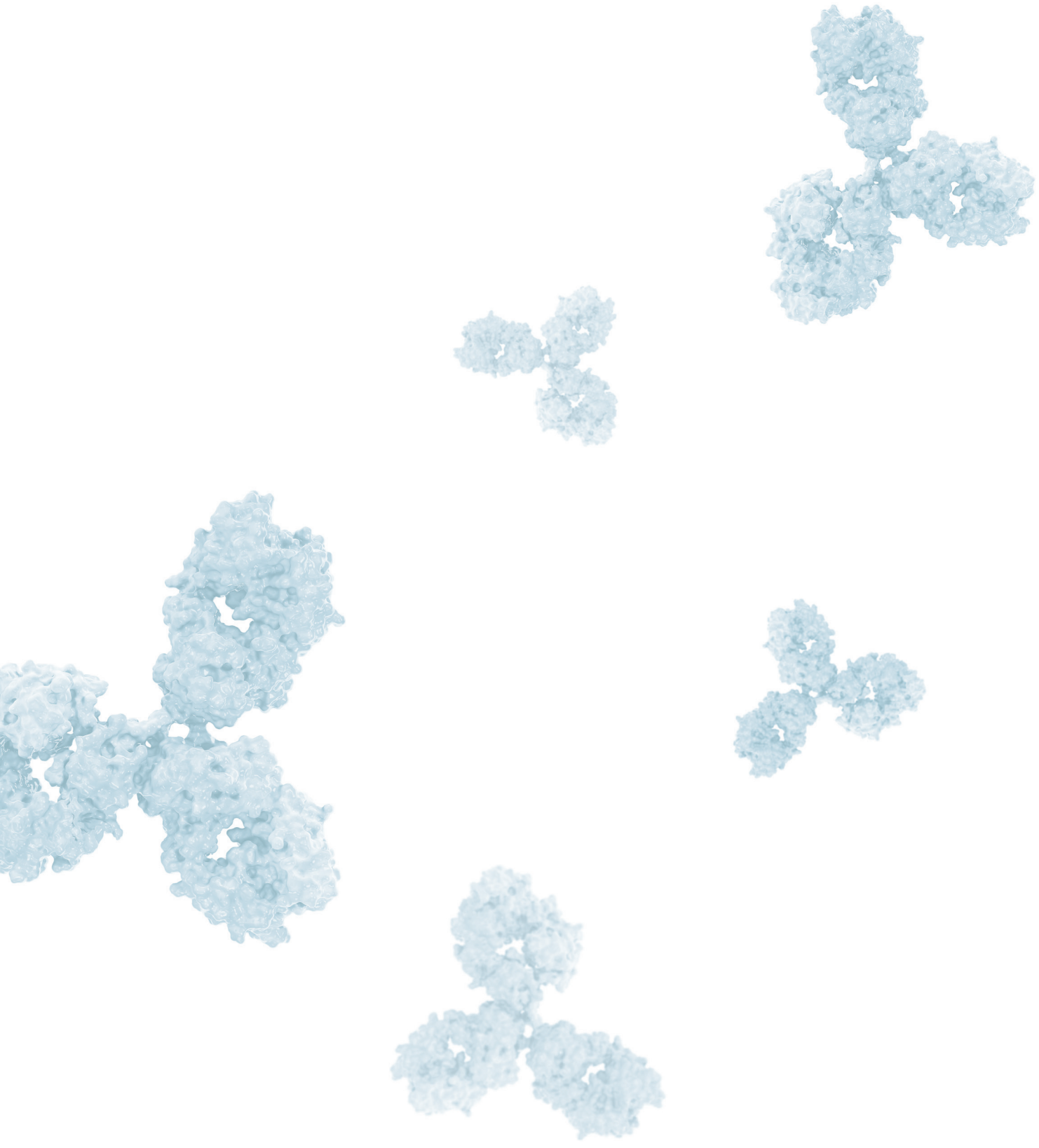
"GIST"	gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HKD" or "HK$" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Auditor"	Deloitte Touche Tohmatsu
"INED(s)"	the independent non-executive Director(s)
"IPO"	the initial public offering of the Company on the Stock Exchange
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	February 26, 2019, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"Memorandum" or "Memorandum of Association"	the fourth amended and restated memorandum of association of the Company adopted on January 30, 2019 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"NDA"	new drug application
"NKTL"	Natural killer/T cell lymphoma, part of T cell and NK-cell neoplasms and an aggressive lymphoma
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Post-IPO ESOP"	the Company's post-IPO employee share option plan
"Post-IPO RSU Scheme"	the Company's post-IPO restricted share award scheme
"Preferred Share(s)"	preferred share(s) in the share capital of the Company prior to the Listing Date
"Pre-IPO Incentivization Plan"	the Company's pre-IPO employee equity plan
"Prospectus"	the prospectus of the Company, dated February 14, 2019, in relation to its global offering
"Reporting Period"	the six-month period from January 1, 2019 to June 30, 2019
"RET"	rearranged during transfection
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"RSU(s)"	restricted share unit(s)
"Securities Transactions Code"	the code of conduct of the Company regarding securities transactions, namely the Policy on Management of Securities Transactions by Directors
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Ordinary share(s) of US$0.0001 each in the issued share capital of our Company
"Shareholders"	holders of Shares
"Share Incentivization Schemes"	the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme
"SM"	systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Strategy Committee"	the strategy committee of the Board
"TGA"	Therapeutic Goods Administration of Australia
"USD" or "US$" or "US dollars"	United States Dollars, the lawful currency of the United States of America
"U.S. FDA"	U.S. Food and Drug Administration
"Zhengze Yuanshi"	Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業(有限合夥))
"%"	percent

In this report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.



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