IPO FACT SHEET

CStone Pharmaceuticals (2616 HK)

ISSUE STATISTICS

Offer Size:	HK$2,068.99m – HK$2,385.87m
Placement Tranche:	186.396m
Price:	HK$11.10– HK$12.80
Board lot:	500
Entry fee:	HK$6,464.49
Historical PE	N.A
Net tangible asset per share:	HK$4.19 – HK$4.52
Market Cap (post-IPO):	HK$10,923m – HK$12,596m
Open:	14 Feb 2019
Close:	12.00 noon on 19 Feb 2019
Trading:	26 Feb 2019
Sponsor:	Goldman Sachs (Asia) L.L.C. ,Morgan Stanley Asia Limited

Year ended 31 Dec	**(RMB$'000)**	**yoy % chg**
Revenue		
2016	N.A	N.A
2017	N.A	N.A
Loss for the years/period		
2017	(253,039)	N.A
2018	(342,547)	35.2%

BACKGROUND

- They 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.
- Founded in 2015, they have built a rich oncology pipeline with significant mono- and combination-therapy potential and synergies.
- They have built an oncology-focused pipeline with a strategic emphasis on immune-oncology (IO) combination therapies.
- With 14 assets, including their three IO backbone drug candidates (PD-L1, PD-1 and CTLA-4 antibodies) at clinical stage, they believe that their 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.

BUSINESS STRATEGY AND FUTURE PLANS

- Rapidly advance late-stage drug assets towards commercialization.
- Advance other clinical or IND stage candidates through development stages.
- Continue to strengthen their combination therapy strategy for China and globally by leveraging their pipeline scale and mix.
- Strengthen R&D capabilities and build a world-class innovative oncology pipeline.
- Pursue hybrid manufacturing strategy for both small molecules and biologics.
- Build commercial capabilities in China in anticipation of product launches.

COMPETITIVE STRENGTHS

- Rich and well-designed oncology-focused pipeline with a strategic emphasis on IO combination therapy.
- First-in-class molecularly targeted agents with proof of concept.
- Early-stage pipeline focused on monotherapy and combination therapy with their IO backbone.
- Robust clinical development program.
- Dual sourcing of innovation through internal development and external partnership.
- Distinguished world-class management team with broad experience in drug discovery, development and commercialization.

KEY RISKS

- They depend substantially on the success of their drug candidates, all of which are in pre-clinical or clinical development. If they are unable to successfully complete clinical development, obtain regulatory approval and commercialize their drug candidates, or experience significant delays in doing so, their business will be materially harmed.
- If they encounter difficulties enrolling patients in their clinical trials, their clinical development activities could be delayed or otherwise adversely affected.
- If clinical trials of their drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, they may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of their drug candidates.
- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact their reputation and their business,
- If they fail to comply with their obligations in the agreements under which they license intellectual property rights from third parties or otherwise experience disruptions to their business relationships with their licensors, they could be required to pay monetary damages or could lose license rights that are important to their business.
- If safety, efficacy, or other issues arise with any medical product used in combination with or to facilitate the use of their drug candidates, they may be unable to market such drug candidate or may experience significant regulatory delays.
- Their future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.
- They have no experience in launching and marketing drug candidates. If they are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell their drug candidates, they may not be able to generate product sales revenue.
- They face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than they do.
- If they are unable to obtain and maintain patent protection for their drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to theirs and compete directly against us, and their ability to successfully commercialize any product or technology may be adversely affected.
- If they are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing their drug candidates.
- They rely on third parties to conduct their pre-clinical studies and clinical trials and they must work effectively with collaborators to develop their drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, they may not be able to obtain regulatory approval for or commercialize their drug candidates and their business could be substantially harmed.
- They have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future, and they may not realize the benefits of such alliances or licensing arrangements.
- Their future success depends on their ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.
- They have a limited operating history, which may make it difficult to evaluate their current business and predict their future performance. The risks involved in their business may cause potential investors to lose substantially all of their investment in their business.
- They have incurred significant net losses and net operating cash outflows since their inception, and they anticipate that they will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK$m	As a percentage of gross proceeds from the Invitation (%)
To fund ongoing and planned clinical trials of CS1001	429.93	20.8%
To fund the preparation of CS1001 registration filings.	18.60	0.9%

To fund the launch, and subject to regulatory approval, commercialization (including sales and marketing) of CS1001.	171.56	8.3%
Allocated to eight of their other clinical and IND stage candidates in their pipeline	826.79	40.0%
To fund the R&D of five of the remaining drug candidates in their pipeline and the R&D and in-licensing of new drug candidates.	413.40	20.0%
To fund working capital and other general corporate purposes	206.70	10.0%
Total:	**2,066.98**	**100.00%**

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