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**

2020
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
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
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 ADVISOR

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

Silicon Valley Bank
3003 Tasman Dr.
Santa Clara, CA 95054

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

STOCK CODE

2616

COMPANY WEBSITE

www.cstonepharma.com

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") MEASURES:

- **Other income** increased by RMB5.0 million from RMB23.5 million for the six months ended June 30, 2019 to RMB28.5 million for the six months ended June 30, 2020, primarily attributable to more government grants received.

- **Other gains and losses** increased by RMB724.1 million from losses of RMB690.1 million for the six months ended June 30, 2019 to gains of RMB34.0 million for the six months ended June 30, 2020, primarily attributable to the elimination of losses in fair value of derivative financial liabilities as the Group had no preferred shares outstanding as of June 30, 2020.

- **Research and development expenses** increased by RMB160.6 million from RMB383.6 million for the six months ended June 30, 2019 to RMB544.2 million for the six months ended June 30, 2020, primarily attributable to enrollment of more patients which increased clinical development costs.

- **Administrative expenses** decreased by RMB2.6 million from RMB167.8 million for the six months ended June 30, 2019 to RMB165.2 million for the six months ended June 30, 2020, primarily attributable to the combination impact of decrease in employee cost and increase in professional fees.

- **Selling expenses** increased from zero for the six months ended June 30, 2019 to RMB24.1 million for the six months ended June 30, 2020, primarily attributable to increase in employee cost and professional fees incurred for activities associated with marketing and sales prior to product launch.

- As a result of the above factors, **loss for the period** decreased by RMB564.6 million from RMB1,235.8 million for the six months ended June 30, 2019 to RMB671.2 million for the six months ended June 30, 2020, primarily attributable to change in other gains and losses, while partially offset by increase in research and development expenses.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NON-IFRS") MEASURES:

- **Research and development expenses** excluding the share-based payment expenses increased by RMB190.8 million from RMB279.6 million for the six months ended June 30, 2019 to RMB470.4 million for the six months ended June 30, 2020, primarily attributable to enrollment of more patients which increased clinical development costs.

- **Administrative and selling expenses** excluding the share-based payment expenses increased by RMB31.5 million from RMB68.8 million for the six months ended June 30, 2019 to RMB100.3 million for the six months ended June 30, 2020, primarily attributable to increase in employee cost and professional fees.

- **Loss for the period** excluding the effect of the fair value changes of the conversion feature of preferred shares and share-based payment expenses increased by RMB232.2 million from RMB276.3 million for the six months ended June 30, 2019 to RMB508.5 million for the six months ended June 30, 2020, primarily due to increase in research and development expenses, as well as administrative and selling expenses.

Business Highlights

As of the date of this interim report, significant advancement has been made with respect to our product pipeline and business operations:

LATE-STAGE ASSETS PROGRESS

- **Sugemalimab** (CS1001, PD-L1 antibody): We have made significant progress to advance our lead immuno-oncology ("**IO**") asset sugemalimab in the clinic, qualifying it as a promising anti-PD-L1 with unique advantages and significant differentiation.
  - In August 2020, the Phase III trial of sugemalimab met primary endpoint as first-line treatment for Stage IV squamous and non-squamous non-small cell lung cancer ("**NSCLC**"). We plan to submit a NDA to the NMPA of the PRC in the second half of 2020.
    - Globally first anti-PD-L1 monoclonal antibody to demonstrate overwhelming efficacy as 1L treatment of Stage IV squamous and non-squamous NSCLC in a randomized, double-blind phase III trial.
    - Interim analysis showed that sugemalimab combined with chemotherapy had a statistically significant prolongation of progression-free survival ("**PFS**"), the primary endpoint of the trial, compared with placebo combined with chemotherapy, reducing the risk of disease progression or death by 50%. The median PFS was 7.8 months vs. 4.9 months in sugemalimab combined with chemotherapy and placebo combined with chemotherapy, respectively.
    - Subgroup analyses showed clinical benefit across histology subtypes and PD-L1 expression levels.
    - Sugemalimab in combination with chemotherapy was well tolerated, no new safety signals were identified.
  - We have received an IND approval for the NKTL pivotal trial from the U.S. FDA in August 2020.
- **CS1003** (PD-1 antibody)
  - We have initiated a global Phase III trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care tyrosine kinase inhibitor ("**TKI**") in patients with advanced HCC and dosed the first patient in December 2019. In July 2020, CS1003 was granted an Orphan Drug Designation ("**ODD**") by the U.S. FDA for HCC.
  - The first patient has been dosed in a Phase Ib trial of CS1003 in combination with regorafenib in Australia in December 2019.
  - A scientific paper describing the full characterization of CS1003 and its pre-clinical data was published on Acta Phamacologica Sinica in May 2020 (Fu et al, 2020 online).

- **Pralsetinib** (CS3009, RET inhibitor)

  - The registrational study of pralsetinib in Chinese RET fusion-positive NSCLC patients achieved the pre-defined results. In September 2020, NMPA accepted our NDA with priority review designation for pralsetinib for the treatment of RET fusion-positive NSCLC patients previously treated with platinum-based chemotherapy.

    - Primary efficacy data showed deep and durable anti-tumor activity of pralsetinib in RET fusion-positive NSCLC treated with platinum-based chemotherapy. Pralsetinib was well-tolerated in the Chinese patient population. Overall, the data showed that efficacy and safety profile in Chinese patients with RET fusion-positive NSCLC were consistent with previously reported data from the global patient population in the ARROW trial.

  - We have also completed enrollment in China for the cohort of patients with RET mutant medullary thyroid cancer ("**MTC**") who have not been previously treated with systemic therapy.

  - We have initiated an additional registrational cohort for first-line RET fusion-positive NSCLC with the first subject dosed in the first quarter of 2020.

  - We are enrolling patients in a basket trial in other tumor types.

  - Our partner, Blueprint Medicines has submitted an NDA to the U.S. FDA for advanced or metastatic RET mutant MTC and RET fusion-positive thyroid cancers in the second quarter of 2020.

  - Blueprint Medicines announced global (excluding Greater China) collaboration with Roche to develop and commercialize pralsetinib for patients with RET-altered cancers in July 2020.

  - In September 2020, Blueprint Medicines announced the U.S. FDA approval of pralsetinib for the treatment of adults with metastatic RET fusion-positive NSCLC.

- **Avapritinib** (CS3007, KIT/PDGFRA inhibitor)

  - We have submitted an NDA to the NMPA for avapritinib for adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations, which was accepted in April 2020. We were granted priority review by the NMPA in July 2020.

  - We have submitted an NDA to the Taiwan Food and Drug Administration ("**TFDA**") for the same indication in March 2020.

  - Data presented at 2020 American Society of Clinical Oncology ("**ASCO**") by us has shown that avapritinib was generally well-tolerated and had promising preliminary anti-tumor activity in Chinese GIST patients with PDGFRA D842V mutation.

- **Ivosidenib** (CS3010, IDH1 inhibitor)

  – We have received an NDA approval from TFDA for ivosidenib for adult patients with relapsed or refractory acute myeloid leukemia ("**R/R AML**") containing an isocitrate dehydrogenase-1 mutation ("**IDH1m**").

  – We are conducting two registrational trials in China: one for IDH1m R/R AML, and another for newly diagnosed IDH1m AML patients who are not eligible for intensive therapy.

  – We expect to submit an NDA for R/R AML in Singapore in the second half of 2020.

EARLY-STAGE ASSETS AND RESEARCH PROGRESS

- Novel IO combinations: With combination therapy as the core strategy and the unique advantage of leveraging our three IO backbone agents, we made significant progress on multiple combinations with assets from our internal pipeline and external partners:

  – CS1002 (CTLA-4 antibody) with CS1003 (PD-1 antibody): First patient dosed in dose-escalation in January 2020 and in dose-expansion in June 2020.

  – Sugemalimab (PD-L1 antibody) with fisogatinib (CS3008, FGFR4 inhibitor) in HCC: Phase Ib part was completed with the recommended Phase II dose ("**RP2D**") declared in June 2020. The first patient was dosed in dose-expansion of the Phase II part in July 2020.

  – Sugemalimab (PD-L1 antibody) with donafenib: Phase I/II trial to be initiated in China.

- Numab collaboration: In March 2020, our partner, Numab Therapeutics AG ("**Numab**"), filed an IND application for NM21-1480 (PD-L1×4-1BB×HSA tri-specific molecule) to the U.S. FDA and received "may proceed" letter in April 2020. The IND has been approved by the U.S. FDA in June 2020. We have received an IND approval for NM21-1480 from TFDA in August 2020.

- Other early assets development

  – CS3002 (CDK4/6 inhibitor): The first patient was dosed in Australia in January 2020 in a phase I trial of CS3002 as a single agent for the treatment of patients with solid tumors in Australia and China. In February 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.

  – CS3005 (A2aR antagonist): The first patient was dosed in Australia in January 2020 in a phase I trial of CS3005 as a single agent for the treatment of patients with solid tumors in Australia and China. In May 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.

  – In June 2020, we released the pre-clinical data of sugemalimab (PD-L1), CS3002 (CDK4/6) and CS3003 (HDAC6), in the E-poster presentation session at the 2020 American Association for Cancer Research ("**AACR**") virtual annual meeting II.

MANUFACTURING FACILITY

- The construction of the state-of-the-art manufacturing facility in Suzhou has been commenced in the first half of 2020 and is proceeding on schedule.

COMMERCIAL PROGRESS

- We are preparing for the launch of avapritinib, pralsetinib and sugemalimab in 2021 in mainland China with a well-established local commercial operation. In Taiwan, we expect to launch ivosidenib and avapritinib by 2021. Our commercial team is on track to achieve the Company's goal of transitioning from R&D to commercial stage in 2020, with focus on strategy development, commercial capability build-up, launch readiness preparation and branding establishment.

- During the six months ended June 30, 2020, several seasoned commercial functional leaders including the general managers of Taiwan and Hong Kong, as well as the head of Sales, Marketing, Medical Affairs and Market Access, all with over 15 years of working experience in pharmaceutical industry at different multinational corporations, have onboarded to drive commercialization readiness. A solid foundation of commercial capability was set up, and we are ready to build a powerful and effective commercial team for successful launches of 4 products in Greater China by 2021.

- We have actively participated in activities of influential local cancer society, such as Chinese Society of Clinical Oncology ("**CSCO**"), China Anti-Cancer Association ("**CACA**") and Chinese Thoracic Oncology Group ("**CTONG**"), to increase company and brand awareness. Moreover, ivosidenib (IDH1 inhibitor) and avapritinib (KIT/PDGFRA inhibitor) have been successfully included into CSCO guideline.

- With online digital education programs and well-established publication platforms, we are continuously increasing the share of voice for key opinion leaders ("**KOL**") engagement, education of healthcare professionals ("**HCP**") on disease, precision medicines and diagnostics, laying a solid foundation for prelaunch readiness. In addition, we are continuously working on the market access and network establishment. For example, we have signed the first commercial agreement for Hainan Bo'ao early access program to address the unmet needs for patients in China, laying a solid foundation for prelaunch readiness.

BUSINESS DEVELOPMENT

- We keep engaging potential partners for multiple partnership opportunities that will accelerate our value creation, including in-licensing, out-licensing and strategic partnership.

- In March 2020, we amended the agreement with Agios, to extend our territory beyond Greater China to Singapore to develop and commercialize ivosidenib.

Management Discussion and Analysis

OUR VISION

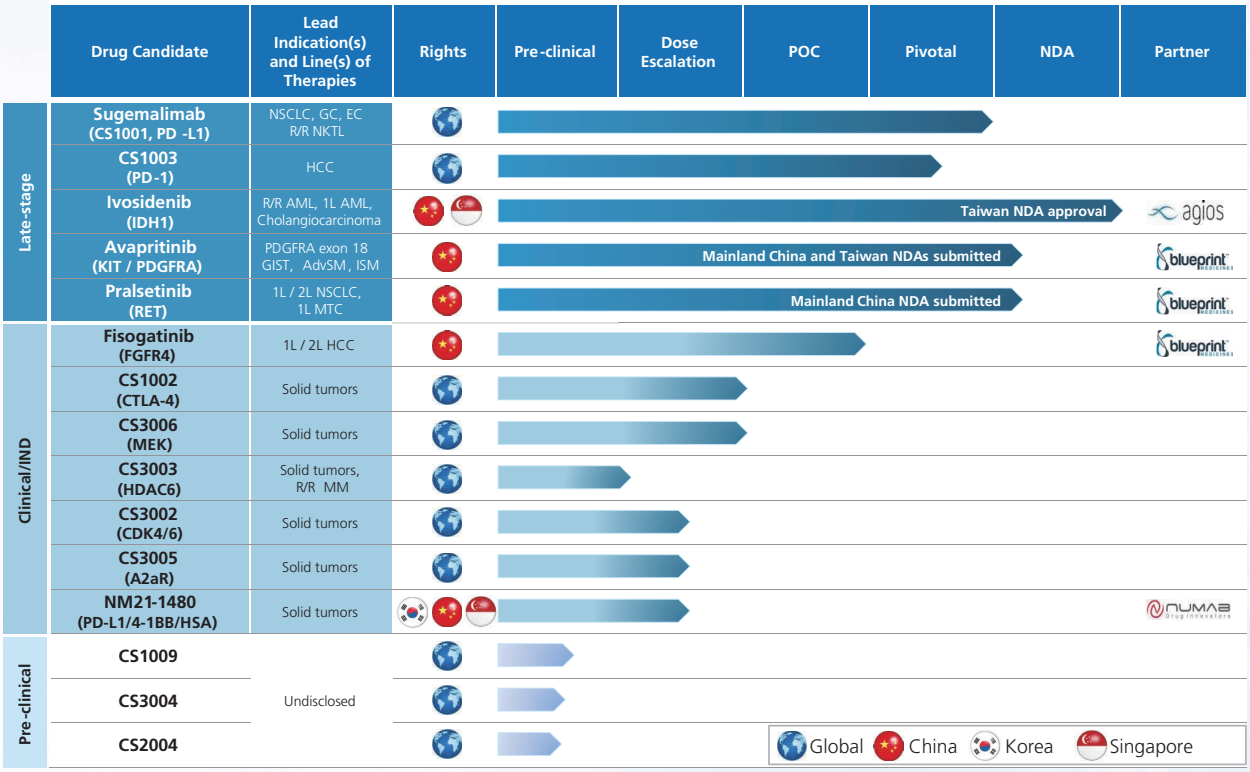
Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide.

OVERVIEW

Founded in 2015, we are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. The Company has built an oncology-focused pipeline of 15 drug candidates with a strategic emphasis on IO combination therapies, including our three IO backbone drug candidates (PD-L1, PD-1, and CTLA-4 antibodies) at clinical stage. As of the date of this report, five late-stage candidates are in pivotal trials. We believe that our pipeline has both the scale and mix to enable a winning combination therapy strategy and allows us 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 of the Company and prior announcements published on the websites of the Stock Exchange and the Company.

Our core product candidate, sugemalimab, is a fully human, full-length anti-PD-L1 monoclonal antibody. sugemalimab mirrors natural G-type immune globulin 4 ("**IgG4**") human antibody, which can reduce the risk of immunogenicity and potential toxicities in patients, potentially representing a unique advantage over similar drugs. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios for ivosidenib (CS3010) and Blueprint Medicines for avapritinib (CS3007), pralsetinib (CS3009), and fisogatinib (CS3008) to develop and commercialize the four molecularly targeted compounds in Greater China. All four compounds have achieved proof-of-concept for their lead indications based on clinical data from the respective global trials. The U.S. FDA approved ivosidenib 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 for the treatment targeting PDGFRA D842V mutations and the U.S. FDA approved avapritinib for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations in January 2020. pralsetinib (CS3009) and fisogatinib (CS3008) each has the potential to be a first-in-class precision therapy option globally.

Product Pipeline



Source: Company

Note: Assets status denote progress in the region noted in the column titled "Rights". POC = Proof of Concept, AML= Acute Myeloid Leukemia, AdvSM = Advanced Systemic Mastocytosis, ISM = Indolent Systemic Mastocytosis, 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.

BUSINESS REVIEW

Clinical Development

Our current clinical development activities mainly relate to the clinical advancement of our 12 clinical and IND stage drug candidates. As of June 30, 2020, we have initiated 30 clinical trials, including six registrational trials for our core product candidate, sugemalimab, the PD-L1 antibody, one registrational trial for CS1003, a PD-1 antibody and eight registrational/registration enabling trials for three licensed-in products, including ivosidenib, avapritinib and pralsetinib. By the end of 2020, we expect to have more than 30 ongoing and/or completed trials in China and globally.

As of the date of this report, we have made significant progress with respect to our product pipeline.

Late-stage Assets Progress

Sugemalimab (PD-L1 antibody)

- Our core product candidate, sugemalimab, is an investigational monoclonal antibody directed against PD-L1 that is currently being investigated in pivotal clinical trials in China. As a fully-human, full-length anti-PD-L1 monoclonal antibody, sugemalimab 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 of June 24, 2020, we have dosed more than 1,300 patients in sugemalimab's clinical trials.

- As of the date of this report, we are currently conducting five registrational trials for sugemalimab, three of which were initiated in 2018, including stage III NSCLC, stage IV NSCLC and NKTL, and the other two were initiated in 2019, including advanced gastric cancer and esophageal cancer.

  – A phase III trial of sugemalimab in combination with standard-of-care chemotherapies in patients with first-line Stage IV squamous or non-squamous NSCLC. In August 2020, the Phase III trial of sugemalimab met primary endpoint as first-line treatment for Stage IV squamous and non-squamous NSCLC. We plan to submit an NDA to the NMPA in the second half of 2020.

    o Globally first anti-PD-L1 monoclonal antibody to demonstrate overwhelming efficacy as 1L treatment of Stage IV squamous and non-squamous NSCLC in a randomized, double-blind phase III trial.

    o Interim analysis showed that sugemalimab combined with chemotherapy had a statistically significant prolongation of PFS, the primary endpoint of the trial, compared with placebo combined with chemotherapy, reducing the risk of disease progression or death by 50%. The median PFS was 7.8 months vs. 4.9 months in sugemalimab combined with chemotherapy and placebo combined with chemotherapy, respectively.

    o Subgroup analyses showed clinical benefit across histology subtypes and PD-L1 expression levels.

    o Sugemalimab in combination with chemotherapy was well tolerated, no new safety signals were identified.

  – A phase III trial of sugemalimab in patients with Stage III NSCLC as monotherapy in the maintenance setting following chemoradiation. We expect top-line data readout by the end of 2020 or early 2021.

  – A phase II registrational clinical trials of sugemalimab as monotherapy for the treatment of NKTL. We presented promising clinical data for NKTL at the annual meeting of American Society of Hematology ("**ASH**") in December 2019. After consulting with the NMPA and the U.S. FDA regarding NDA/Biologics License Application ("**BLA**") criteria for the indication of NKTL, we'll continue enrolling patients and expect to submit Breakthrough Therapy Designation ("**BTD**") and ODD requests to the U.S. FDA in the second half of 2020. We have received an IND approval for the NKTL pivotal trial from the U.S. FDA in August 2020.

  - A phase III trial of sugemalimab in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic gastric cancer.

  - A phase III trial of sugemalimab in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic esophageal cancer.

- To capitalize on the significant market opportunity in China, we are strategically developing multiple combination therapies of sugemalimab with candidates from our internal pipeline and external partners.

  - Sugemalimab (PD-L1 antibody) with fisogatinib (CS3008, FGFR4 inhibitor) in HCC: Phase Ib part was completed with the RP2D declared in June 2020. The first patient was dosed in dose-expansion of the Phase II part in July 2020.

  - Sugemalimab (PD-L1 antibody) with donafenib: Phase I/II trial to be initiated in China in 2020.

CAUTIONARY STATEMENT REQUIRED BY RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SUGEMALIMAB SUCCESSFULLY.

CS1003 (PD-1 antibody)

- We have initiated a global Phase III trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care TKI in patients with advanced HCC and dosed the first patient in December 2019. In July 2020, CS1003 was granted an ODD by the U.S. FDA for HCC.

- The first patient has been dosed in a Phase Ib trial of CS1003 in combination with regorafenib in Australia in December 2019.

- A scientific paper describing the full characterization of CS1003 and its pre-clinical data was published on Acta Phamacologica Sinica in May 2020 (Fu et al, 2020 online).

Pralsetinib (CS3009, RET inhibitor)

- We obtained an exclusive license from Blueprint Medicines for the development and commercialization of pralsetinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- The registrational study of pralsetinib in Chinese RET fusion-positive NSCLC patients achieved the pre-defined results. In September 2020, NMPA accepted our NDA with priority review designation for pralsetinib for the treatment of RET fusion-positive NSCLC patients previously treated with platinum-based chemotherapy.

  - Primary efficacy data showed deep and durable anti-tumor activity of pralsetinib in RET fusion-positive NSCLC treated with platinum-based chemotherapy. Pralsetinib was well-tolerated in the Chinese patient population. Overall, the data showed that efficacy and safety profile in Chinese patients with RET fusion-positive NSCLC were consistent with previously reported data from the global patient population in the ARROW trial.

- We have also completed enrollment in China for the cohort of patients with RET mutant MTC who have not been previously treated with systemic therapy.

- We have initiated an additional registrational cohort for first-line RET fusion-positive NSCLC with the first subject dosed in the first quarter of 2020.

- We are enrolling patients in a basket trial in other tumor types.

- Blueprint Medicines has submitted an NDA to the U.S. FDA for advanced or metastatic RET mutant MTC and RET fusion-positive thyroid cancers in the second quarter of 2020.

- Blueprint Medicines announced global (excluding Greater China) collaboration with Roche to develop and commercialize pralsetinib for patients with RET-altered cancers in July 2020.

- In September 2020, Blueprint Medicines announced the U.S. FDA approval of pralsetinib for the treatment of adults with metastatic RET fusion-positive NSCLC.

Avapritinib (CS3007, KIT/PDGFRA inhibitor)

- We obtained an exclusive license from Blueprint Medicines for the development and commercialization of avapritinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- We have submitted an NDA to the NMPA for avapritinib for adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations, which was accepted in April 2020. We were granted priority review by the NMPA in July 2020.

- We have submitted an NDA to TFDA for the same indication in March 2020.

- Data presented at 2020 ASCO by us has shown that avapritinib was generally well-tolerated and had promising preliminary anti-tumor activity in Chinese GIST patients with PDGFRA D842V mutation.

- Approved avapritinib for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations.

- In April 2020, Blueprint Medicines announced top-line data from the phase III VOYAGER trial of avapritinib versus regorafenib in third- or fourth-line GIST. The VOYAGER trial did not meet its primary endpoint of an improvement in progression-free survival for avapritinib versus regorafenib. We don't expect this result will impact the review and approval of avapritinib for unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations in China.

Ivosidenib (CS3010, IDH1 inhibitor)

- We obtained an exclusive license from Agios for further clinical development and commercialization of ivosidenib in mainland China, Hong Kong, Macau, and Taiwan in June 2018, and in Singapore in March 2020.

- We have received an NDA approval from TFDA for ivosidenib for adult patients with R/R AML containing IDH1m.

- We are conducting two registrational trials in China: one for IDH1m R/R AML, and another for newly diagnosed IDH1m AML patients who are not eligible for intensive therapy.

- We expect to submit an NDA for R/R AML in Singapore in the second half of 2020.

Early-stage Assets and Research Progress

Fisogatinib (CS3008; FGFR4 inhibitor)

- We obtained an exclusive license from Blueprint Medicines for the development and commercialization of fisogatinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- Preliminary data have indicated that fisogatinib may offer an effective treatment option for certain HCC patients.

- We received IND approval for fisogatinib from the NMPA to join the dose-expansion portion of a global phase I trial in patients with advanced HCC in January 2019. We dosed the first patient in May 2019 and completed enrollment in December 2019.

- We received CTA approval from the NMPA in May 2019 to start a phase Ib/II trial of fisogatinib in combination with sugemalimab (PD-L1 antibody) in patients with HCC. We dosed the first patient in December 2019 and completed the phase Ib part with the RP2D declared in June 2020. We have initiated the phase II part in July 2020.

CS1002 (CTLA-4 antibody)

- We have completed the dose escalation part of a phase I trial of CS1002 as a single agent in patients with advanced solid tumors in Australia. We presented preliminary phase I data of CS1002 at the 2019 CSCO meeting and showed that CS1002 treatment was well-tolerated and demonstrated pharmacodynamic changes consistent with CTLA-4 inhibition. The first patient was dosed for the dose escalation part of the phase I clinical trial of CS1002 in combination with CS1003 (PD-1 antibody) for the treatment of patients with solid tumors in Australia in January 2020. The dose-expansion part was initiated with the first patient dosed in May 2020.

- We have received IND approval for CS1002 from the NMPA in August 2018 and the first patient was dosed in a phase I trial of CS1002 as a single agent in China in December 2019.

CS3002 (CDK4/6 inhibitor)

- The first patient was dosed in Australia in January 2020 in a phase I trial of CS3002 as a single agent for the treatment of patients with solid tumors in Australia and China. In February 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.

CS3005 (A2aR antagonist)

- The first patient was dosed in Australia in January 2020 in a phase I trial of CS3005 as a single agent for the treatment of patients with solid tumors in Australia and China. In May 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.

NM21-1480 (PD-L1×4-1BB×HSA tri-specific molecule)

- Numab filed an IND application for NM21-1480 to the U.S. FDA in March 2020 and received "may proceed" letter in April, 2020. The IND has been approved by the U.S. FDA in June 2020.

- We have received an IND approval for NM21-1480 from TFDA in August 2020.

Research

We focus on the research and development of innovative immuno-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.

For the six month ended June 30, 2020, we focused on the execution of our pipeline 2.0 strategy and assembled potential drug candidates through "dual sourcing" innovation – from both internal discovery research and collaboration with academic labs and innovative biotech companies, aiming to develop first-in-class molecules to target novel biology, tumor microenvironment, multi-specific biologics, and cancer vaccines.

As of the date of this report, we had obtained 40 IND/CTA approvals for 12 drug candidates in 8 territories. Our research team will continue to advance the pre-clinical drug candidates in our pipeline towards IND. For instance, we are completing the preclinical studies to support IND/CTA applications of CS1009, another immune checkpoint inhibitor, and plan to submit the applications in China in 2021.

In June 2020, the Company released the pre-clinical data of its three pipeline products, i.e. sugemalimab (PD-L1), CS3002 (CDK4/6) and CS3003 (HDAC6), in the E-poster presentation session at the 2020 AACR virtual annual meeting II.

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 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 Contract Research Organizations.

Looking into the second half of 2020 and beyond, we expect to receive the marketing approval for ivosidenib in R/R AML in Taiwan and submit NDAs for sugemalimab, pralsetinib and ivosidenib in mainland China and Singapore. With the expected NDA approvals above, and strong commercial capability founded by acquiring top talents in Greater China market, we are confident in maximizing the commercial potential of our five late-stage clinical drug candidates with worldwide or Greater China rights.

We will focus on internal salesforce build-up while exploring potential value-creative strategic partnerships both in China and globally. With clear and aspirational commercial strategy established, we will build a full-fledged commercial team, equipped with approximately 200 full time equivalent by year-end 2020, as well as robust launch plans developed for mainland China and Taiwan. With our deep understanding of the business environment in the local market, we will develop powerful and distinctive market access strategy to address the unmet medical needs in mainland China and Taiwan. Meanwhile, we will enhance public relations and digital marketing activities to establish corporate and product branding, and also further reinforce the engagement of key opinion leaders and cancer society. These will be supported by operation and commercial excellence, as well as talent acquisition and manpower development activities.

FINANCIAL REVIEW

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income	**28,466**	23,504
Other gains and losses	**33,967**	(690,117)
Research and development expenses	**(544,154)**	(383,558)
Selling expenses	**(24,055)**	–
Administrative expenses	**(165,229)**	(167,836)
Listing expenses	**–**	(17,638)
Finance costs	**(238)**	(149)
Loss for the period	**(671,243)**	(1,235,794)
Other comprehensive income (expense) for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**518**	–
Fair value gain on investments in debt instruments at FVTOCI	**31**	312
Reclassified to profit or loss upon redemption of debt instruments at FVTOCI	**(31)**	(662)
Other comprehensive income (expense) for the period	**518**	(350)
Total comprehensive expense for the period	**(670,725)**	(1,236,144)
Non-IFRS measures:		
Adjusted loss for the period	**(508,471)**	(276,304)

Other Income. Our other income increased by RMB5.0 million from RMB23.5 million for the six months ended June 30, 2019 to RMB28.5 million for the six months ended June 30, 2020. This was primarily attributable to more government grants received.

Other Gains and Losses. Our other gains and losses increased by RMB724.1 million from losses of RMB690.1 million for the six months ended June 30, 2019 to gains of RMB34.0 million for the six months ended June 30, 2020. The increase was primarily attributable to the elimination of losses in fair value of derivative financial liabilities as the Group had no preferred shares outstanding as of June 30, 2020.

Research and Development Expenses. Our research and development expenses increased by RMB160.6 million from RMB383.6 million for the six months ended June 30, 2019 to RMB544.2 million for the six months ended June 30, 2020. This increase was primarily attributable to (i) an increase in third party contracting cost by RMB134.0 million from RMB212.4 million for the six months ended June 30, 2019 to RMB346.4 million for the six months ended June 30, 2020 for enrolling more patients for our clinical trials; and (ii) an increase in our licensing fee from RMB14.5 million for the six months ended June 30, 2019 to RMB35.2 million for the six months ended June 30, 2020, due to milestone payment incurred for the existing licensing agreements and also the payment incurred for entering into new licensing agreements with third-party partners.

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee cost	**153,785**	153,956
Depreciation and amortization	**633**	587
Licensing fee	**35,207**	14,521
Third party contracting cost	**346,367**	212,405
Others	**8,162**	2,089
Total	**544,154**	383,558

Administrative Expenses. Our administrative expenses decreased by RMB2.6 million from RMB167.8 million for the six months ended June 30, 2019 to RMB165.2 million for the six months ended June 30, 2020. This was primarily attributable to the combination impact of (i) a decrease of RMB11.9 million in employee cost from RMB131.9 million for the six months ended June 30, 2019 to RMB120.0 million for six months ended June 30, 2020 due to decreased share-based payment expenses; and (ii) an increase of RMB14.4 million in professional fees from RMB15.7 million for the six months ended June 30, 2019 to RMB30.0 million for the six months ended June 30, 2020 driven by more consulting and professional fees incurred for activities associated with market research and strategic operations, etc..

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee cost	**119,957**	131,895
Professional fees	**30,041**	15,681
Rental expenses	**1,317**	1,283
Depreciation and amortization	**6,694**	4,372
Others	**7,220**	14,605
Total	**165,229**	167,836

Selling Expenses. Our selling expenses increased from nil for the six months ended June 30, 2019 to RMB24.1 million for the six months ended June 30, 2020. The increase was primarily attributable to the increase in employee cost and professional fees incurred for activities associated with marketing and sales prior to product launch.

	For the six months ended June 30 2020 *RMB'000* (Unaudited)
Employee cost	**18,981**
Professional fees	**3,572**
Others	**1,502**
Total	**24,055**

Finance Costs. The finance costs increased by RMB0.1 million from RMB0.1 million for the six months ended June 30, 2019 to RMB0.2 million for the six months ended June 30, 2020.

Listing Expenses. We did not incur any listing expenses for the six months ended June 30, 2020. 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 initial public offering of our Shares.

Other Comprehensive Income (Expense). Our other comprehensive income (expense) changed from an expense of RMB0.4 million for the six months ended June 30, 2019 to an income of RMB0.5 million for the six months ended June 30, 2020.

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 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 for the period represents the loss for the period excluding the effect of certain non-cash items and onetime events, namely the loss on fair value changes of the conversion feature of preferred shares (derivative financial liabilities measured at fair value through profit or loss) and share-based compensation expenses. The term adjusted loss 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 to adjusted loss during the periods indicated:

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(671,243)**	(1,235,794)
Added:		
Loss on changes in fair value of derivative financial liabilities	**–**	756,464
Share-based payment expenses	**162,772**	203,026
Adjusted loss for the period	**(508,471)**	(276,304)

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the periods indicated:

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Research and development expenses for the period	**(544,154)**	(383,558)
Added:		
Share-based payment expenses	**73,796**	103,991
Adjusted research and development expenses for the period	**(470,358)**	(279,567)

The table below sets forth a reconciliation of the administrative and selling expenses to adjusted administrative and selling expenses during the periods indicated:

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Administrative and selling expenses for the period	**(189,284)**	(167,836)
Added:		
Share-based payment expenses	**88,976**	99,035
Adjusted administrative and selling expenses for the period	**(100,308)**	(68,801)

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as at June 30, 2020 by function:

Function	Number of employees	% of total number of employees
Research and Development	216	66.5
Sales, General and Administrative	109	33.5
Total	325	100.0

As of June 30, 2020, we had 220 employees in Shanghai, 31 employees in Suzhou and 74 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.

CStone regards the employees who recognize corporate values and have excellent performance as our most valuable assets, and we are willing to provide employees with good career development prospects and a stage to display their talents. Therefore, we have established a career development path for promotion: including promotion at the same level and promotion at different levels. By providing targeted training courses to employees of different ranks, the Group can improve the professional knowledge, skills and management ability of different employees and management, as well as enhance our competitiveness in the pharmaceuticals industry. New staff training is conducted regularly to guide new employees and help them adapt to the new working environment. The Group develops yearly training plan to equip target trainees with the strategic, leadership, technical and value enhancement skills. During the Reporting Period, we have prepared different types of online and offline training resources and courses for different employees and management. Employees are encouraged to attend external seminars and talks to enrich their technical knowledge.

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 U.S. as of February 26, 2019.

As of June 30, 2020, our time deposits and cash and cash equivalents were RMB2,123.8 million, as compared to RMB2,725.9 million as of December 31, 2019. The decrease was mainly due to the research and development expenses, as well as the administrative and selling expenses.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at June 30, 2020, our gearing ratio was 16.2% (as at December 31, 2019: 15.9%).

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2020, we did not hold any significant investments. For the six months ended June 30, 2020, 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

On January 7, 2020, the Group obtained a secured bank loan facility amounting to RMB175 million and an unsecured bank loan facility amounting to RMB25 million, respectively, for the purpose of working capital improvement and the construction of the factory and facilities. During the six months ended June 30, 2020, the Group has drawn down RMB24,068,000 and repaid RMB275,000 of principal and interest in accordance with the payment schedules. Please refer to Note 15 to the Condensed Consolidated Financial Statements for more information.

Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities.

DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang (江寧軍), M.D., Ph.D., aged 59, was appointed as CEO in July 2016, a member of the Board in November 2016 and Chairman of the Board in August 2018.

Under Dr. Jiang's leadership, the Company has been focusing on developing and commercializing innovative immuno-oncology and precision medicine drugs for cancer patients in China and worldwide. Since inception in 2016, the Company has established a portfolio of 15 drug candidates, including five late phase assets, and initiated 30 clinical trials, of which 15 are registrational. In February 2019, the Company was successfully listed on the Stock Exchange, setting the record for shortest time between company inception and public listing in Hong Kong as of the date of the Listing.

Dr. Jiang serves as a member of the scientific advisory board of Novagenesis Therapeutix (HK) Limited starting from July 2020.

Prior to joining our Company, Dr. Jiang served as Global Vice President and Head of Asia Pacific Research and Development at Sanofi, a company listed on NASDAQ (stock code: SNY) and EPA (stock code: SAN) ("**Sanofi**"), covering China, Japan and 12 other countries. During his career at Sanofi from July 2002 to June 2016, he held a series of leadership and management positions, with responsibilities ranging from global clinical research to regional R&D strategies. He also led a 21,000 patient megatrial that resulted in the global registration of the blockbuster drug Lovenox. In the last five years with Sanofi, he oversaw 79 clinical trials and obtained 30 NDAs in the Asia Pacific region. Prior to Sanofi, Dr. Jiang was a clinical research physician at Eli Lilly and Company, a company listed on the NYSE (stock code: LLY) ("**Eli Lilly**"), and led a global phase II trial for an anti-sepsis drug.

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. 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 University of British Columbia in Canada in November 1992. He went on to complete a postdoctoral fellowship in clinical chemistry and a clinical residency in internal medicine at Washington University School of Medicine in the United States. He subsequently served there as a faculty for the Internal Medicine and Emergency Medicine departments.

Non-executive Directors

Dr. Wei Li (李偉), Ph.D., aged 48, has been our 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 a partner of Creacion Ventures since April 2020 and the managing partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner of WuXi Healthcare Ventures II, L.P. since July 2015. Dr. Li has been an executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since April 2018.

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 45, has been our 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. Mr. Zhao has been serving as a non-executive director of Ascentage Pharma Group International (亞盛醫藥集團), a company listed on the Stock Exchange (stock code: 6855) since July 2018. 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 36, was a Director from April 1, 2016 to March 27, 2017. Mr. Cao was appointed as our non-executive Director with effect from May 15, 2019.

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), Viela Bio, Inc. (a company listed on NASDAQ with stock code: VIE), Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司) (a company listed on the Stock Exchange with stock code: 6078) and Ocumension Therapeutics (歐康維視生物) (a company listed on the Stock Exchange with stock code: 1477) since May 2016, February 2018, June 2019 and June 2019, respectively. 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 40, has been a Director since May 2018 and was re-designated as our non-executive Director on October 29, 2018.

Prior to joining us, 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 (陳連勇), aged 58, has been a Director since August 2018 and was designated as our 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 an executive director and the chairman of the board of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since May 2018. Dr. Chen has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. Dr. Chen was appointed as a non-executive director of Hua Medicine (華領醫藥), a company listed on the Stock Exchange (stock code: 2552), on January 6, 2015 and re-designated as a non-executive director on May 11, 2018. He has also been a director of Hua Medicine Technology (Hong Kong) Limited and Hua Medicine (Shanghai) Co., Ltd., subsidiaries of Hua Medicine, since January 2015 and April 2016 respectively. Dr. Chen has served as a director at 111, Inc., a company listed on NASDAQ (stock code: YI) since May 2019.

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

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 68, has been an INED since February 14, 2019.

Dr. Chew is currently the adviser 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 adviser chief medical officer for CorMedix, Inc, utilizing a taurolidine-based platform to prevent infection in high- risk patients. Dr. Chew serves on the advisory boards at the Center for Public Health, George Washington School of Public Health as well as ArisGlobal, a leading life sciences software provider that speeds drug development. He has served as a member of the board of trustees for the U.S. Pharmacopeia that sets quality standards for U.S. drugs, foods and dietary supplements, enforced by the 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, 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 66, 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. He has been an independent non-executive director of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Stock Exchange (stock code: 2500), since November 2018. He has been an independent non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since June 2020.

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 was appointed as an independent non-executive director of Mobvista Inc. (匯量科技有限公司), a company listed on the Stock Exchange (stock code: 1860) since July 2020. 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. (大冢(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 (江寧軍), M.D., Ph.D., aged 59, has been our CEO since July 2016. For further details, please refer to "Directors – Executive Director" in this section.

Ms. Shirley Zhao (趙萍), M.D., MBA, aged 51, has been our general manager for Greater China and head of commercial operations since December 2019. In this role, she is responsible for our commercial operations.

Prior to joining us, Ms. Zhao served multiple multinational biopharmaceutical companies with over 26 years of experience with Chinese pharmaceutical market. From 2018 to 2019, she served as the general manager and president of mainland China and Hong Kong for Bristol-Myers Squibb, a company listed on the NYSE (stock code: BMY). From 2012 to 2018, she served as the corporate vice president and country president of China at Allergan plc, a company listed on the NYSE (stock code: AGN). From 2009 to 2012, she served as the country general manager and managing director of China at Genzyme (A Sanofi company). From 2008 to 2009, she served as the commercial director of bioscience of Japan, China and North Asia at Baxter International Inc, a company listed on the NYSE (stock code: BAX). From 1993 to 2008, she mainly focused on oncology and successively served Eli Lilly for ten years as a vice president and the head of oncology BU in China and served Bristol-Myers Squibb as the head of marketing, oncology. From 1991 to 1993, she served as an obstetric and gynaecological doctor of Shanghai No. 10 People's Hospital.

Ms. Zhao obtained her bachelor's degree in medicine from Tongji University (同濟大學) in Shanghai, China in 1991. She also obtained an MBA degree from University of Leicester in 2001.

Dr. Jianxin Yang (楊建新), M.D., Ph.D., aged 56, 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 22 years of experience in biomedical research and clinical development of oncology drugs in the U.S. and China. Prior to joining us, he served as the senior vice president and head of clinical development at BeiGene, Ltd. (NASDAQ: BGNE, HKSE: 6160) from July 2014 to December 2016. He led BeiGene, Ltd.'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, Ltd., 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, U.S. 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.

Dr. Bing Yuan (袁斌), Ph.D., MBA, aged 51, is our senior vice president and chief strategy and business officer and joined us in November 2016. In this role, he is currently responsible for business development and licensing ("**BD&L**"), alliance management, corporate strategy and planning, project management office, portfolio strategy and business insights. In addition, he established several other business functions at CStone and used to supervise commercial, medical affair, public relations and government affairs until 2019.

Dr. Yuan is a seasoned business executive with extensive experience in global business development and commercial strategy and made significant contributions to more than ten global oncology brands. Before joining us, Dr. Yuan was executive director and global lead of late stage oncology BD&L at Merck & Co., Inc., known as MSD outside U.S. and Canada, a company listing on the NYSE (stock code: MRK) ("**Merck**"), where he was instrumental in Keytruda clinical combination partnerships and several immuno-oncology deals.

Prior to joining 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 the 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 (王辛中), Ph.D., aged 57, is our senior vice president and chief scientific officer and joined us 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 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 us, Dr. Wang was a director/senior principal scientist of immuno-oncology research at Merck Research Laboratories of Merck in Boston, Massachusetts 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 bio-superiors 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, U.S. 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 53, is our senior vice president and chief translational medicine officer and joined us in December 2018. Upon joining our Group, Dr. Tse established the department of translational medicine and early development. In this role, he is responsible for the clinical development of early-stage assets up to proof of concept. He also leads the translational medicine/biomarkers, molecular diagnostics, and clinical pharmacology functions to support the progression of our pipeline, as well as the scientific advisory board to facilitate development and execution of our R&D 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 us, Dr. Tse was a distinguished scientist (executive director) at Merck 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 Nanobodies, 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 U.S. 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 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 (李景榮), Ph.D., aged 60, is our senior vice president of product development and manufacturing and joined us in December 2016. In this role, he is responsible for all chemistry, manufacturing and control 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 (百家匯生物), 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 NMPA.

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, U.S., 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 50, is our senior vice president of government and regulatory affairs and joined us in June 2019. In this role, he is responsible for planning, setting and executing government and regulatory affairs strategy and leading the government and regulatory affairs department.

Before joining us, Mr. Wang worked at Eleme, a subsidiary of Alibaba Group Holding Ltd. (a company listed on The New York Stock Exchange, stock code: BABA, and the Stock Exchange, stock code: 9988), as the chief food safety officer for three 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.

Other Information

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CG CODE

We has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the Reporting Period, the Board is of the opinion that we have 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 management, 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 our best interests 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 our operations. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "**Securities Transactions Code**"), which applies to all Directors 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 Reporting Period.

Our employees, who are likely to be in possession of unpublished inside information of us, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by our Company as of the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended June 30, 2020, the Company repurchased a total of 3,025,500 Shares through the Stock Exchange, details of which are set out below:

Month/Year	Number of Shares purchased	Highest price per Share *(HK$)*	Lowest price per Share *(HK$)*	Aggregate Price Paid (excluding expenses) *(HK$)*
May 2020	2,187,500	8.16	7.05	16,328,535
June 2020	838,000	9.00	8.57	7,480,390

2,403,000 repurchased Shares were cancelled on June 17, 2020 and 622,500 repurchased Shares were cancelled on July 10, 2020. The purchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from Shareholders received at the last annual general meeting, with a view to benefiting Shareholders as a whole by enhancing the net asset value per Share and earnings per Share of the Group. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the six months ended June 30, 2020.

USE OF NET PROCEEDS

Our Shares were listed on the Main Board of the Stock Exchange on February 26, 2019. 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 RMB2,090.16 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2020:

	% of use of proceeds (Approximately)	Net proceeds from the IPO *(RMB million)*	Actual usage during the Reporting Period *(RMB million)*	Actual usage up to June 30, 2020 *(RMB million)*	Unutilized net proceeds as of June 30, 2020 *(RMB million)*	Expected timeline for usage of proceeds
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches of sugemalimab	30.0%	627.04	209.80	446.77	180.28	By December 31, 2021
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches eight of our other clinical and IND stage candidates in our pipeline	40.0%	836.06	185.81	505.69	330.37	By December 31, 2021
Fund the R&D of five of the remaining drug candidates in our pipeline and the R&D and in-licensing of new drug candidates	20.0%	418.04	62.63	112.98	305.05	By December 31, 2021
For working capital and general corporate purposes	10.0%	209.02	88.83	148.60	60.42	By December 31, 2021
Total	**100.0%**	**2,090.16**	**547.08**	**1,214.03**	**876.12**	

Notes:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

(2) The unutilized net proceeds of RMB876.12 million as of June 30, 2020 is expected to be completely used by December 31, 2021.

REVIEW OF INTERIM RESULTS

The independent auditors of our 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 our management, the accounting principles and policies adopted by our Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2020) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and we have 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 our Company

As of June 30, 2020, the interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our 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 our 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	93,670,710 Shares[2]	9.11%
	Trustor of a trust	6,760,000 Shares[3]	0.66%

Notes:

(1) The calculation is based on the total number of 1,028,628,260 Shares in issue as of June 30, 2020.

(2) Includes (1) 16,181,068 Shares beneficially held by Dr. Jiang; (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) share options to subscribe for 36,432,379 Shares conditionally granted to Dr. Jiang on August 15, 2019 under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options; and (4) Dr. Jiang's entitlement to (i) restricted share units equivalent to 23,315,832 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions and (ii) restricted share units equivalent to 9,108,095 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

(3) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, of which Dr. Frank Ningjun Jiang is the trustor. Effective from 30 August 2019, JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO Dated November 21, 2018 as beneficial owner appointed Yanni Xiao as its legal nominee to hold 6,760,000 Shares as legal owner. Under the SFO, Dr. Frank Ningjun Jiang is deemed to be interested in these Shares.

Save as disclosed above and to the best knowledge of the Directors, none of the Directors or the chief executive of our Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as of June 30, 2020.

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, 2020, the following are the persons, other than the Directors or the chief executive of our 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 our 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[1]
WuXi Healthcare Ventures II, L.P.[2]	Beneficial interest	292,881,444	28.47%
WuXi Healthcare Management, LLC[2]	Interest in controlled corporation	292,881,444	28.47%
Graceful Beauty Limited[3]	Beneficial interest	146,950,948	14.29%
Boyu Capital Fund II, L.P.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital General Partner II L.P.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital General Partner II Ltd.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital Holdings Limited[3]	Interest in controlled corporation	146,950,948	14.29%
Zhengze Yuanshi[4]	Beneficial interest	98,216,972	9.55%
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	9.55%
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	9.55%
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	9.55%
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	9.55%
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	9.55%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[4]	Interest in controlled corporation	98,216,972	9.55%
Fei Jianjiang (費建江)[4]	Interest in controlled corporation	98,216,972	9.55%
GIC Private Limited[5]	Interest in controlled corporation	48,392,472	4.70%
	Investment manager	23,834,000	2.32%
GIC Special Investments Private Limited[5]	Interest in controlled corporation	48,392,472	4.70%
GIC (Ventures) Pte. Ltd.[5]	Interest in controlled corporation	48,392,472	4.70%
Tetrad Ventures Pte Ltd.[5]	Beneficial interest	48,392,472	4.70%

Notes:

(1) The calculation is based on the total number of 1,028,628,260 Shares in issue as of June 30, 2020.

(2) As of June 30, 2020, WuXi Healthcare Ventures II, L.P. directly held 292,881,444 Shares. To the best knowledge of us, 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, 2020, 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, 2020, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心（有限合夥)), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

(5) As of June 30, 2020, 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, 2020, we are not aware of any other person (other than the Directors or the chief executive of our Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" above) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO.

SHARE INCENTIVIZATION SCHEMES

We have adopted three share incentivization schemes, collectively referred to as Share Incentivization Schemes.

Pre-IPO Incentivization Plan

We have adopted the Pre-IPO Incentivization Plan by the resolutions in writing of 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 and as further amended and restated on January 7, 2020. No further options will be granted under the Pre-IPO Incentivization Plan.

Other Information

As of June 30, 2020, pursuant to the Pre-IPO Incentivization Plan, we had granted to Directors, executives and employees of the Group outstanding options to subscribe for 30,950,160 Shares, representing approximately 3.01% of the total issued share capital of our Company as of June 30, 2020.

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 of 01/01/2020**	**Granted**	**Exercised**	**Canceled**	**Lapsed**	**Outstanding as of 30/06/2020**	**Exercise price** *US$*
1. Director								
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2016	8,633,336	0	0	0	0	8,633,336	0.0250 – 0.0500
2. Continuous Contract Employees	July 11, 2016 to February 25, 2019	26,579,418	0	2,956,470	0	1,306,124	22,316,824	0.0250 – 0.5925
Total:		35,212,754	0	2,956,470	0	1,306,124	30,950,160	

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 weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$8.50.

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

As of June 30, 2020, pursuant to the Pre-IPO Incentivization Plan, we had granted to directors, executives and employees of the Group outstanding RSUs representing 42,415,105 Shares, accounting for approximately 4.12% of the total issued share capital of our Company as of June 30, 2020.

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

Category	Grant date[1]	Outstanding as of 01/01/2020	Number of Shares underlying RSUs[1], [2] and [3] during the Reporting Period				Outstanding as of 30/06/2020
			Granted	Exercised	Canceled	Lapsed	
1. Director							
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2018	37,805,736	0	14,489,904	0	0	23,315,832
2. Continuous Contract Employees	July 1, 2018 to March 28, 2019	25,127,622	0	6,028,349	0	0	19,099,273
Total:		62,933,358	0	20,518,253	0	0	42,415,105

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.

(3) Included RSUs that have been settled by cash payment pursuant to the Pre-IPO Incentivization Plan.

Post-IPO ESOP

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

As of June 30, 2020, pursuant to the Post-IPO ESOP, we had granted to Directors, executives and employees of the Group outstanding options to subscribe for 56,009,150 Shares, representing approximately 5.45% of the total issued share capital of our Company as of June 30, 2020.

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 of 01/01/2020**	**Granted**	**Exercised**	**Canceled**	**Lapsed**	**Outstanding as of 30/06/2020**	**Exercise price** *HK$*	**Closing price immediately before the date of grant** *HK$*
1. Director									
Frank Ningjun Jiang (also CEO and Chairman of our Board)	August 15, 2019	0	40,480,421	0	0	4,048,042	36,432,379	10.69	11.40
2. Continuous Contract Employees	April 1, 2019	1,014,000	0	0	0	127,229	886,771	15.86	15.88
	June 10, 2019	1,868,000	0	0	0	0	1,868,000	12.60	12.12
	October 11, 2019	1,421,000	0	0	0	230,000	1,191,000	12.20	12.04
	December 9,2019	6,906,500	0	0	0	7,000	6,899,500	10.79	10.50
	April 1, 2020	0	8,901,500	0	0	170,000	8,731,500	8.85	8.70
Total:		11,209,500	49,381,921	0	0	4,582,271	56,009,150		

Notes:

(1) The vesting schedule of the options is as follows: (i) 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter, or (ii) 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

(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

We have adopted the Post-IPO RSU Scheme by resolutions passed by our Company on March 22, 2019 and restated and amended by our Company on December 10, 2019 and January 7, 2020, as amended from time to time.

As of June 30, 2020, pursuant to the Post-IPO RSU Scheme, we had granted to employees of the Group outstanding RSUs representing 24,326,224 Shares, accounting for approximately 2.36% of the total issued share capital of our Company as of June 30, 2020.

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

Category	Grant date[1]	Number of Shares underlying RSUs[1] and [2] during the Reporting Period				
		Outstanding as of 01/01/2020	Granted	Exercised	Canceled or Lapsed	Outstanding as of 30/06/2020
1. Director						
Frank Ningjun Jiang (also CEO and Chairman of our Board)	August 15, 2019	10,120,105	0	0	1,012,010	9,108,095
2. Continuous Contract Employees	March 22, 2019 to June 23, 2020	15,065,457	558,000	0	405,328	15,218,129
Total:		25,185,562	558,000	0	1,417,338	24,326,224

Notes:

(1) The vesting schedule of the RSUs is as follows: (i) 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter, or (ii) 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

(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 (including the connected persons (as defined in the Listing Rules) of the Company), who have contributed or will contribute to the growth and development of the Group
3. Maximum number of Shares that can be award	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 of 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 (being approximately 0.78% of the issued share capital of the Company as at the adoption date), which was subsequently increased to 38,010,316 Shares (being approximately 3.70% of the issued share capital of the Company as at December 31, 2019) pursuant to a board meeting dated July 15, 2019

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	–
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 tenth 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

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
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		
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, 2020 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	–

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
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 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 46 to 73 , which comprise the condensed consolidated statement of financial position as of June 30, 2020 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 18, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended June 30, 2020

	NOTES	For the six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other income	4	**28,466**	23,504
Other gains and losses	4	**33,967**	(690,117)
Research and development expenses		**(544,154)**	(383,558)
Selling expenses		**(24,055)**	–
Administrative expenses		**(165,229)**	(167,836)
Listing expenses		**–**	(17,638)
Finance costs		**(238)**	(149)
Loss for the period	6	**(671,243)**	(1,235,794)
Other comprehensive income (expense) for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**518**	–
Fair value gain on investments in debt instruments at fair value through other comprehensive income ("FVTOCI")		**31**	312
Reclassified to profit or loss upon redemption of debt instruments at FVTOCI		**(31)**	(662)
Other comprehensive income (expense) for the period		**518**	(350)
Total comprehensive expense for the period		**(670,725)**	(1,236,144)
Loss for the period attributable to:			
Owners of the Company			
– ordinary shareholders		**(671,243)**	(996,090)
– preferred shareholders		**–**	(239,704)
		(671,243)	(1,235,794)
Total comprehensive expense for the period attributable to:			
Owners of the Company			
– ordinary shareholders		**(670,725)**	(996,372)
– preferred shareholders		**–**	(239,772)
		(670,725)	(1,236,144)
Loss per share			
– Basic and diluted (RMB Yuan)	8	**(0.66)**	(1.35)

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**22,231**	14,185
Right-of-use assets	9	**1,943**	4,469
Deposits for acquisition of property, plant and equipment and intangible assets		**6,817**	3,572
Other intangible assets		**6,691**	1,305
Other receivables	10	**52,208**	40,271
		89,890	63,802
Current assets			
Deposits, prepayments and other receivables	10	**106,876**	143,599
Other investments classified as financial assets measured at fair value through profit or loss ("FVTPL")	11	**12,146**	11,946
Debt instruments at FVTOCI	11	**–**	4,811
Restricted bank deposits		**720**	620
Time deposits	12	**389,373**	1,599,431
Cash and cash equivalents	12	**1,734,386**	1,126,436
		2,243,501	2,886,843
Current liabilities			
Trade and other payables and accrued expenses	13	**335,349**	449,440
Deferred income	14	**5,260**	4,180
Lease liabilities		**1,600**	4,344
Contract liability		**1,887**	–
		344,096	457,964
Net current assets		**1,899,405**	2,428,879
Total assets less current liabilities		**1,989,295**	2,492,681
Non-current liabilities			
Bank borrowings	15	**23,793**	–
Deferred income	14	**10,873**	11,099
Lease liabilities		**102**	–
		34,768	11,099
Net assets		**1,954,527**	2,481,582

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Capital and reserves			
Ordinary share capital	*16*	**687**	687
Treasury shares	*16*	**(5,111)**	–
Treasury shares held in the trusts	*16*	**(16)**	(30)
Reserves		**1,958,967**	2,480,925
Total equity		**1,954,527**	2,481,582

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended June 30, 2020

	Attributable to owners of the Company										
	Ordinary share capital *RMB'000*	Preferred share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Investments revaluation reserve *RMB'000*	Other reserve *RMB'000 (Note a)*	Treasury shares held in the trusts *RMB'000 (Note 16)*	Share-based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2020 (Audited)	**687**	**–**	**–**	**6,651,201**	**–**	**(92,688)**	**(30)**	**532,930**	**(1,802)**	**(4,608,716)**	**2,481,582**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(671,243)**	**(671,243)**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**518**	**–**	**518**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**518**	**(671,243)**	**(670,725)**
Repurchase of ordinary shares	**–**	**–**	**(21,829)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,829)**
Cancellation of ordinary shares	**(2)**	**–**	**16,718**	**(16,716)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercise of share options (note 17)	**2**	**–**	**–**	**20,159**	**–**	**–**	**–**	**(17,434)**	**–**	**–**	**2,727**
Recognition of equity-settled share-based payment (note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**162,772**	**–**	**–**	**162,772**
Restricted stock units exercised under the trust (note 16)	**–**	**–**	**–**	**51,280**	**–**	**–**	**14**	**(51,294)**	**–**	**–**	**–**
At June 30, 2020 (Unaudited)	**687**	**–**	**(5,111)**	**6,705,924**	**–**	**(92,688)**	**(16)**	**626,974**	**(1,284)**	**(5,279,959)**	**1,954,527**
At January 1, 2019 (Audited)	29	94	–	2,685,871	350	(92,681)	–	221,940	–	(2,300,272)	515,331
Loss for the period	–	–	–	–	–	–	–	–	–	(1,235,794)	(1,235,794)
Other comprehensive expense for the period	–	–	–	–	(350)	–	–	–	–	–	(350)
Total comprehensive expense for the period	–	–	–	–	(350)	–	–	–	–	(1,235,794)	(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
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	203,026	–	–	203,026
Capitalization Issue (as defined in note 16(d))	401	–	–	(381)	–	–	(20)	–	–	–	–
Automatic conversion of preferred shares upon initial public offering ("IPO")	94	(94)	–	1,772,112	–	–	–	–	–	–	1,772,112
Shares issued upon IPO and over-allotment	144	–	–	2,193,513	–	–	–	–	–	–	2,193,657
Transaction costs attributable to issuance of new shares	–	–	–	(103,501)	–	–	–	–	–	–	(103,501)
At June 30, 2019 (Unaudited)	675	–	–	6,570,112	–	(92,681)	(26)	405,195	–	(3,536,066)	3,347,209

Note: Other reserves included (1) share-based payment recognised as deemed losses to non-controlling interests; (2) differences between the carrying amounts of net assets attributable to the non-controlling interests at date of subscription of capital to a subsidiary, fair value of the respective conversion features of preferred shares at date of injection and the relevant proceeds received; (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; (4) effect of exercise of put option by a non-controlling shareholder to convert the equity interests in a subsidiary to the Company's preferred shares; and (5) restricted stock units granted to several employees which were exercised.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2020

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Loss before tax	**(671,243)**	(1,235,794)
Adjustments for:		
Depreciation of property, plant and equipment	**3,122**	2,967
Depreciation of right-of-use assets	**2,883**	2,096
Amortisation of intangible assets	**1,322**	118
Net foreign exchange gains	**(31,789)**	(60,313)
Loss on fair value changes of derivative financial liabilities	**–**	756,464
Share-based payment expense	**162,772**	203,026
Interest income	**(20,440)**	(21,770)
Changes in fair value of money market funds	**(1,982)**	(5,117)
Other adjustments	**(184)**	(2,502)
Operating cash flows before movements in working capital	**(555,539)**	(360,825)
Increase in deposits, prepayments and other receivables	**24,751**	(23,166)
Increase in trade and other payables and accrued expenses	**(113,723)**	(8,834)
Increase in deferred income and contract liability	**2,967**	3,128
NET CASH USED IN OPERATING ACTIVITIES	**(641,544)**	(389,697)
INVESTING ACTIVITIES		
Interest received	**20,440**	6,137
Receipt of return from money market funds	**1,982**	5,117
Deposit paid for property, plant and equipment and intangible assets	**(6,817)**	(578)
Purchase of property, plant and equipment	**(11,168)**	(1,595)
Purchase of intangible assets	**(3,136)**	(68)
Placement of restricted bank deposits	**(100)**	(620)
Payment of rental deposits	**–**	(630)
Purchase of debt instruments at FVTOCI	**–**	(4,640)
Proceeds on redemption of other investments classified as financial assets measured at FVTPL	**–**	5,303
Proceeds on redemption of debt instruments at FVTOCI	**4,982**	81,900
Placement of time deposits with maturity date over three months	**(390,016)**	(888,378)
Withdrawal of time deposits with maturity date over three months	**1,583,439**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,199,606**	(798,052)

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2020

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares	**–**	2,193,657
New bank borrowing raised	**24,068**	–
Repayments of bank borrowings	**(240)**	–
Repayments of bank borrowings	**(35)**	–
Repayment of lease liabilities	**(2,999)**	(1,845)
Interest paid on lease liabilities	**(88)**	(149)
Exercise of share options	**2,727**	2,728
Payments on repurchase of ordinary shares	**(21,829)**	–
Payment of transaction costs attributable to issuance of new shares	**–**	(100,948)
NET CASH FROM FINANCING ACTIVITIES	**1,604**	2,093,443
NET INCREASE IN CASH AND CASH EQUIVALENTS	**559,666**	905,693
CASH AND CASH EQUIVALENTS AT JANUARY 1,	**1,126,436**	701,336
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**48,284**	53,547
CASH AND CASH EQUIVALENTS AT JUNE 30,	**1,734,386**	1,660,576

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2020

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 ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on 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, 2019.

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, as appropriate.

Other than additional accounting policies resulting from application of 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, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial position 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 amendments to IFRSs (continued)

Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

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, 2019.

Geographical information

All of the Group's non-current assets and capital expenditure are located or utilized 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank and other interest income	**20,440**	21,770
Government grants income *(note a)*	**8,026**	1,734
	28,466	23,504

Note:

(a) Government grants include subsidies from the PRC and Australia government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognized over the useful life of the related assets; (ii) the incentive and subsidies for IPO, research and development activities which are recognized upon compliance with the attached conditions; and (iii) other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Other gains and losses

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL (note 11)	**200**	255
Gain on redemption of debt instruments at FVTOCI (note 11)	**31**	662
Loss on fair value changes of derivative financial liabilities	**–**	(756,464)
Changes in fair value of money market funds	**1,982**	5,117
Net foreign exchange gains	**31,789**	60,313
Others	**(35)**	–
	33,967	(690,117)

5. INCOME TAX EXPENSE

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

No provision for taxation for the six months ended June 30, 2020 and 2019 as the Group has no assessable profits derived from the operating entities of the Group.

6. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2020	2019
	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)	**70,292**	79,357
Staff costs:		
– Salaries and other allowances	**90,825**	56,214
– Performance-related bonus	**29,198**	12,786
– Retirement benefit scheme contributions	**6,901**	7,655
– Share-based payment expenses	**95,507**	129,839
	292,723	285,851
Amortization for other intangible assets	**1,322**	118
Depreciation for property, plant and equipment	**3,122**	2,967
Depreciation of right-of-use assets	**2,883**	2,096
Auditor's remuneration	**990**	948
Lease payments in respect of short-term and low value leases	**1,826**	1,283

7. DIVIDENDS

No dividend was paid or declared by the Company during the reporting periods, nor has any dividend been proposed since the end of the reporting periods.

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period		
Loss for the period attributable to owners of the Company	**(671,243)**	(1,235,794)
Add: Loss for the period attributable to preferred shareholders	**–**	239,704
Loss for the purpose of basic and diluted loss per share	**(671,243)**	(996,090)

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,012,383,724**	739,027,181

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2019 has been determined on the assumption that the Capitalization Issue as set out in note 16(d) had been effective since January 1, 2019.

The calculation of basic and diluted loss per share for the six months ended June 30, 2020 and 2019 has considered the restricted share units that have been vested but not yet registered (note 17), and excluded the ordinary shares repurchased but not cancelled yet and the ordinary shares held in a trust which are accounted for as treasury shares of the Company.

The calculation of diluted loss per share for the six months ended June 30, 2020 has not considered share options awarded under the employee stock option plan (note 17(a)) and the unvested restricted share units (note 17(b)) as their inclusion would be anti-dilutive.

The calculation of diluted loss per share for the six months ended June 30, 2019 has not considered share options awarded under the employee stock option plan (note 17(a)), the unvested restricted share units (note 17(b)), and the conversion of preferred shares and over-allotment options as their inclusion would be anti-dilutive.

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

During the current interim period, the Group had additions to construction in progress of approximately RMB11,075,000 and property, plant and equipment of approximately RMB93,000 (six months ended June 30, 2019: RMB1,313,000), respectively, in order to construct a new factory in Suzhou and upgrade its research and development capabilities. The Group also entered into a new lease agreement for a vehicle premises for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognized RMB356,000 of right-of-use assets and RMB356,000 lease liabilities.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	June 30, 2020 ***RMB'000*** **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Rental deposits	**2,834**	2,840
Prepayments	**60,044**	41,835
Receivables from a director and key management personnel of the Company *(note)*	**37,818**	96,977
Value-added tax recoverable	**52,408**	41,722
Other receivables	**5,980**	496
	159,084	183,870
Analyzed as:		
– Non-current	**52,208**	40,271
– Current	**106,876**	143,599
	159,084	183,870

Note: As at June 30, 2020, the balances mainly represent the amounts due from several key management personnel in respect of withholding tax for employee individual income tax associated with vested restricted share units. The balances as at December 31, 2019 also include the amounts due from Dr. Jiang Frank Ningjun ("Dr. Jiang"), a director of the Company, of RMB59,162,000, which are fully settled by Dr. Jiang during the six months ended June 30, 2020.

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

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Other investments classified as financial assets measured at FVTPL		
– Wealth management plans *(note a)*	**12,146**	11,946
Debt instruments at FVTOCI		
– Treasury bills *(note b)*	**–**	4,811

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, 2020 (December 31, 2019: 3.6% per annum). All investments have maturity dates within one year and are classified as other investments classified as financial assets measured at FVTPL.

(b) The Company also held United States treasury bills with effective interest rates ranging from 0.55% to 1.43% per annum as at December 31, 2019. The investment was classified as debt instruments at FVTOCI and the bills are fully redeemed by the Company during the six months ended June 30, 2020.

12. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Time deposits	**389,373**	1,599,431

The time deposits are placed with a bank in the PRC with a term of 1 year upon placement.

During the six months ended June 30, 2020, all the original time deposits as at December 31, 2019 have been withdrawn and new time deposits have been placed which will be matured on May 19, 2021. Therefore, the time deposits are classified as current assets.

12. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Cash at banks	**504,956**	504,681
Cash equivalents (note)		
– Money market funds	**223,917**	217,104
– Time deposits	**1,005,513**	404,651
	1,734,386	1,126,436

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, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Trade payables	**54,360**	37,304
Accrued expenses		
– Research and development *(Note a)*	**243,398**	270,099
– Legal and professional fees	**1,998**	3,723
– Others	**3,806**	8,121
	249,202	281,943
Other payables	**4,187**	2,131
Other tax payable *(Note b)*	**2,165**	97,589
Accrued bonus	**25,435**	30,473
	335,349	449,440

13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES (continued)

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, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Less than 30 days	**44,026**	26,471
31 – 60 days	**10,334**	10,833
	54,360	37,304

Note:

(a) Amounts mainly included service fees paid to outsourced service providers including contract research organizations and clinical trial sites.

(b) Included in the balances as at December 31, 2019 are withholding tax payable for employee's individual income tax associated with vested restricted share units of RMB96,845,000, which are fully settled during the six months period ended June 30, 2020.

14. DEFERRED INCOME

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Subsidies related to property, plant and equipment *(note a)*	**2,373**	2,599
Other subsidies *(note b)*	**13,760**	12,680
	16,133	15,279
Analyzed as:		
Non-current	**10,873**	11,099
Current	**5,260**	4,180
	16,133	15,279

Notes:

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

(b) During the six months ended June 30, 2020, the Group received government subsidies of RMB8,880,000 towards research and development projects to compensate the research and development expenses incurred by the Group (six months ended June 30, 2019: RMB1,500,000). Certain conditions have to be fulfilled for the subsidies received during the six months ended June 30, 2020 amounting to RMB1,080,000 before these subsidies can be regarded as fully granted (six months ended June 30, 2019: Nil). As at June 30, 2020 and December 31, 2019, government subsidies with the relevant conditions not been fully fulfilled were deferred.

15. BANK BORROWINGS

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Unsecured and unguaranteed *(note)*	**16,977**	–
Secured and unguaranteed *(note)*	**6,816**	–
	23,793	–

Note: On January 7, 2020, the Group obtained two new bank loan facilities amounting to RMB175,000,000 and RMB25,000,000 respectively, for the purpose of working capital improvement and the construction of the factory and facilities. During the six months ended June 30, 2020, the Group has drawn down RMB24,068,000 and repaid RMB275,000 of principal and interest in accordance with the payment schedules.

The new bank borrowings are denominated in RMB and carry the variable interest rate at Loan Prime Rate ("LPR") plus 10 basis points per annum.

16. ORDINARY SHARE CAPITAL/TREASURY SHARES/TREASURY SHARES HELD IN THE TRUSTS

	Number of shares	Share capital *US$'000*
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At January 1, 2019	356,238,038	35
Increase in authorized share capital on February 26, 2019 *(note a)*	1,643,761,962	165
At June 30, 2019, December 31, 2019 and June 30, 2020	2,000,000,000	200

16. ORDINARY SHARE CAPITAL/TREASURY SHARES/TREASURY SHARES HELD IN THE TRUSTS (continued)

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issued and fully paid			
At January 1, 2019	44,270,599	4	29
Exercise of share options *(note b)*	1,767,621	–	1
Issuance of shares to a trust for Cstone Incentivisation Limited *(note c)*	9,672,192	1	6
Automatic conversion of preferred shares upon IPO	143,703,471	14	94
Capitalization issue *(note d)*	598,241,649	60	401
Issuance of ordinary shares on IPO *(note e)*	186,396,000	19	125
Issuance of shares on exercise of over-allotment option *(note e)*	27,959,000	3	19
At June 30, 2019 (unaudited)	1,012,010,532	101	675
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note f)*	14,238,552	1	11
Exercise of share options *(note g)*	1,825,706	–	1
At December 31, 2019 (audited) and January 1, 2020	1,028,074,790	102	687
Exercise of share options *(note h)*	2,956,470	–	2
Repurchase and cancellation of ordinary shares *(note i)*	(2,403,000)	–	(2)
At June 30, 2020 (unaudited)	1,028,628,260	102	687

16. ORDINARY SHARE CAPITAL/TREASURY SHARES/TREASURY SHARES HELD IN THE TRUSTS (continued)

Treasury shares:

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
At January 1, 2019, June 30, 2019 and December 31, 2019	–	–	–
Repurchase of ordinary shares *(note i)*	3,025,500	3,079	21,829
Cancellation of ordinary shares *(note i)*	(2,403,000)	(2,362)	(16,718)
At June 30, 2020 (unaudited)	622,500	717	5,111

Treasury shares held in trusts:

	Number of treasury shares	US$ *US$'000*	Equivalent amount of ordinary shares *RMB'000*
At January 1, 2019	–	–	–
Issuance of shares to a trust for Cstone Incentivisation Limited *(note c)*	9,672,192	1	6
Capitalization Issue *(note d)*	29,016,576	3	20
At June 30, 2019 (unaudited)	38,688,768	4	26
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note f)*	14,238,552	1	11
Restricted stock units exercised under the trust *(note j)*	(9,385,302)	(1)	(7)
Treasury shares held in trust at December 31, 2019 (audited) and January 1, 2020	43,542,018	4	30
Restricted stock units exercised under the trust *(note k)*	(20,518,253)	(2)	(14)
Treasury shares held in trust at June 30, 2020 (unaudited)	23,023,765	2	16

16. ORDINARY SHARE CAPITAL/TREASURY SHARES/TREASURY SHARES HELD IN THE TRUSTS (continued)

Treasury shares held in trusts: (continued)

Notes:

(a) Pursuant to the special resolutions passed by the then shareholders of the Company on January 30, 2019, the authorized 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.

(b) 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 US$0.20 and US$2.37 per share, respectively (without taking into account the effect of the capitalization issue as detailed in note (d) below). The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(c) On January 31, 2019, the Company and Maples Trustee Services (Cayman) Limited (the "Maples Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust which entered into a trust deed pursuant to which the Maples 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 adjusted for the effect of the Capitalization Issue as defined in note (d) below) (the "Shares"), was issued to the Nominee to set aside a pool of ordinary 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.

(d) 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 allotted 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 "Capitalization Issue") rank pari passu in all respects with the then existing issued shares of the Company.

(e) 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.

(f) On July 11, 2019, the Company and Computershare Hong Kong Trustees Limited (the "Computershare Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust for Non-Connected Persons which entered into a trust deed pursuant to which the Computershare 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 Computershare Trustee. 14,238,552 ordinary shares was issued to the Computershare Trustee to set aside a pool of ordinary shares to satisfy the pre-IPO restricted share units granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(g) In the second half year of 2019, share option holders exercised their rights to subscribe for 516,851, 423,575 and 885,280 ordinary shares in the Company at HK$0.20, HK$0.39 and HK$1.12 per share, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(h) During the six months ended June 30, 2020, share option holders exercised their rights to subscribe for 564,040, 897,043, 1,252,337 and 243,050 ordinary shares in the Company at HK$0.2, HK$0.39, HK$1.12 and HK$4.65 per share, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(i) During the six months ended June 30, 2020, 3,025,500 ordinary shares of the Company were repurchased at prices ranging from HK$7.05 to HK$9.00 per share, among which 2,403,000 shares has been successfully cancelled as at 30 June 2020. As at the date of the approval for issuance of these condensed consolidated financial statements, the remaining 622,500 shares have been also cancelled subsequently.

(j) During the year ended December 31, 2019, 9,385,302 restricted stock units granted to several employees were exercised.

(k) During the six months ended June 30, 2020, 20,518,253 restricted stock units granted to several employees were exercised.

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.

The directors of the Company adopted and approved such Pre-IPO ESOP on July 7, 2017, with the intent at that time that the directors of the Company delegated full authority to Dr. Jiang, the executive director of the Company, to grant option awards in accordance with the Pre-IPO ESOP before Pre-IPO ESOP was approved and adopted by the directors of the Company. The overall limit on the number of underlying shares which may be delivered under the Plan was 24,010,293 shares of the Company, subject to any adjustments for other dilutive issuances. The Pre-IPO ESOP shall be valid and effective for a period of ten years commencing on July 7, 2017.

Except as provided otherwise in the grant letter or offer in any other form by the directors of the Company, the vesting schedule of the share options shall be a sixty months vesting schedule consisting of a cliff vesting of twenty percent after twelve months from the vesting commencement date and, thereafter, monthly vesting of equal instalments over the remaining forty-eight months.

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 and other equity incentive permitted by the Pre-IPO Incentivisation Plan to the employees, directors of the Company, consultants and advisors of the Company. Further on August 14, 2018, the board of directors of the Company resolved the change of vesting schedule and updated the outstanding options and restricted shares units with the new vesting schedule under the Pre-IPO Incentivisation Plan, whereas 25% of the shares will be vested on the first anniversary of the original vesting commencement date, and the remaining shares will be vested with equal monthly instalments over the following thirty-six months.

The share options and the restricted share units shall be restricted to the eligible employees, directors of the Company, consultants and advisors of the Company and shall not be assignable to other person. No eligible employee, directors of the Company, consultants and advisors of the Company shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option and restricted share units or attempt to do so.

The overall limit on the number of underlying shares which may be delivered under the Pre-IPO Incentivisation Plan for both employees stock option plan and the restricted shares units is 130,831,252 shares of the Company (considering the Capitalization Issue). The incremental fair value at the modification date is assessed to be insignificant as there is no change in exercise price nor exercisable period.

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	
	Dr. Jiang	**Employees**
Outstanding at January 1, 2020	8,633,336	26,579,418
Forfeited during the period	–	(1,306,124)
Exercised during the period	–	(2,956,470)
Outstanding at June 30, 2020	8,633,336	22,316,824

As at June 30, 2020, 12,419,298 outstanding Pre-IPO ESOP share options (December 31, 2019: 14,013,271) were exercisable.

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

	Weighted average exercise price	
	Dr. Jiang ***US$*** **(Unaudited)**	**Employees** ***US$*** **(Unaudited)**
Forfeited	N/A	0.17
Exercised	N/A	0.13

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and Option Pricing Mode ("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.

The total expenses recognized 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 RMB7,033,000 for the six months ended June 30, 2020 (six months ended June 30, 2019:RMB40,602,000).

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	
	Dr. Jiang	**Employees**
At January 1, 2020	–	11,209,500
Granted during the period	40,480,421	8,901,500
Exercised during the period	–	(534,229)
Lapsed during the period	(4,048,042)	–
At June 30, 2020	36,432,379	19,576,771

As at June 30, 2020, 56,009,150 outstanding Post-IPO ESOP share options were exercisable and the weighted average exercise price is HK$11.94 per share.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The Post-IPO ESOP *(continued)*

Fair value of 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, 2020
Grant date option fair value per share	**HK$4.58 – HK$5.49**
Exercise price	**HK$8.85 – HK$10.69**
Expected volatility	**62.53%-63.97%**
Expected life	**10 years**
Risk-free rate	**0.70%-0.73%**
Expected dividend yield	**0%**

During the current interim period, the Group has granted 40,480,421 and 8,901,500 Post-IPO ESOP share options to a director of the Company and employees in April 2020 and June 2020, respectively.

The weighted average fair value of the Post-IPO ESOP options granted during the current interim period is HK$5.33 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, 2020, the total expenses recognized 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 RMB27,121,000 (six months ended June 30, 2019: RMB1,397,000).

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU")

The Pre-IPO RSU Plan

On August 3, 2018, December 6, 2018 and January 16, 2019, 8,467,541, 1,500,000 and 8,112,124 RSUs of the Company respectively (without taking into account the effect of the Capitalization Issue) were granted at nil consideration to the grantees by the directors of the Company in accordance with Pre-IPO Incentivisation Plan respectively.

On August 14, 2018, the directors of the Company resolved and approved the vesting schedule of the RSU with 25% of the shares to be vested on the first anniversary of the vesting commencement date, and the remaining shares to be vested with equal monthly instalments over the following thirty-six months.

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the restricted shares as of the grant date and recognised the amount as compensation expenses over the vesting period for each separate vesting portion of the RSUs. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for RSUs granted to a director of the Company and employees are approximately RMB64,793,000 for the six months ended June 30, 2020 (six months ended June 30, 2019: RMB149,402,000).

The RSUs were valued by the directors of the Company with reference to the valuation carried out by an independent qualified professional valuer, Valuelink Management Consultants Limited, on the respective grant dates of the RSUs. The weighted average fair value of the Pre-IPO RSU granted is US$1.22 per share after adjusting the effect of the Capitalisation Issue.

The following table summarized the Group's Pre-IPO RSUs movement during the current interim period:

	Number of Pre-IPO RSUs	
	Dr. Jiang	**Employees**
At January 1, 2020	37,805,736	25,127,622
Exercised during the period	(14,489,904)	(6,028,349)
At June 30, 2020	23,315,832	19,099,273

As at June 30, 2020, 10,483,980 Pre-IPO RSUs (December 31, 2019: 14,526,286 Pre-IPO RSUs) have been vested but not yet registered, and 31,931,125 Pre-IPO RSUs (December 31, 2019: 48,407,072 Pre-IPO RSUs) remained unvested.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The Pre-IPO RSU Plan *(continued)*

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.

The Post-IPO RSU Plan

On March 22, 2019, a restricted share award scheme (the "Post-IPO RSU Plan") was approved and adopted pursuant to a resolution passed by then. 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.

On January 31, 2020, an amendment to the Post-IPO RSU Plan was approved and adopted to increased maximum total number of RSUs, pursuant to which the maximum total number of RSUs that may be granted under the Post-IPO RSU Plan in aggregate (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the Plan) was increased from 7,650,000 Shares to 38,010,316 Shares, representing approximately 3.70% of the issued share capital of the Company as at January 31, 2020.

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. RSUs granted under the Post-IPO RSU Plan shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments or with 25%, 25%, 25% and 25% of total RSUs vesting on the first, second, third and fourth anniversary date one year after the vesting commencement date.

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.

The total expense recognized in the condensed statement of profit or loss and other comprehensive income for the six months ended June 30, 2020 for the Post-IPO RSU granted are approximately RMB63,825,000 (six months ended June 30, 2019: RMB11,625,000).

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The Post-IPO RSU Plan *(continued)*

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

	Number of Post-IPO RSUs	
	Dr. Jiang	**Employees**
At January 1, 2020	10,120,105	15,065,457
Granted during the period	–	558,000
Forfeited during the period	–	(405,328)
Lapsed during the period	(1,012,010)	–
At June 30, 2020	9,108,095	15,218,129

As at June 30, 2020, 2,442,158 Post-IPO RSUs (December 31, 2019: Nil) have been vested but not yet registered, and 21,884,066 (December 31, 2019: 25,185,562) Post-IPO RSUs remained unvested.

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

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, 2020 are the same as those follow in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019. 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 2) 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).

Financial assets and Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)
	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)		
(1) Wealth management plan	**12,146**	11,946	Level 2	Income approach – In this approach, the discounted cash flow method was used to estimate the return from underlying assets.
(2) Treasury bills	**–**	4,811	Level 1	Quoted bid prices in active market
(3) Money market funds classified as cash equivalents measured at FVTPL	**223,917**	217,104	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

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

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

(iii) 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. 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term benefits	**17,903**	18,199
Retirement benefit scheme contribution	**94**	174
Share-based payments	**135,181**	166,626
	153,178	184,999

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, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted for but not provided:		
Property, plant and equipment	**13,347**	4,020
Intangible asset	**791**	–
	14,138	4,020

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 Medicines"	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, Macau Special Administrative Region 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 Stock Exchange
"Compensation Committee"	the compensation committee of our 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 application
"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
"INED(s)"	the independent non-executive Director(s)
"IPO"	the initial public offering of our Shares on the Stock Exchange
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	February 26, 2019, being the date on which the Shares were listed on the Stock Exchange
"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
"Memorandum" or "Memorandum of Association"	the fourth amended and restated memorandum of association of our 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

Definitions

"Post-IPO ESOP"	our Company's post-IPO employee share option plan
"Post-IPO RSU Scheme"	our Company's post-IPO restricted share award scheme
"Pre-IPO Incentivization Plan"	our Company's pre-IPO employee equity plan
"Prospectus"	the prospectus of our Company, dated February 14, 2019, in relation to the Global Offering
"Reporting Period"	the six-month period from January 1, 2020 to June 30, 2020
"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 our 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$0.0001 each in the issued share capital of our Company
"Shareholder(s)"	holder(s) of our Shares
"Share Incentivization Schemes"	the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"U.S."	United States of America
"USD" or "US$" or "US dollars"	United States Dollars, the lawful currency of the U. S.
"U.S. FDA"	the 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))
"%"	per cent.

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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