基石药业
CSTONE
PHARMACEUTICALS

# CStone Pharmaceuticals
# 基石藥業

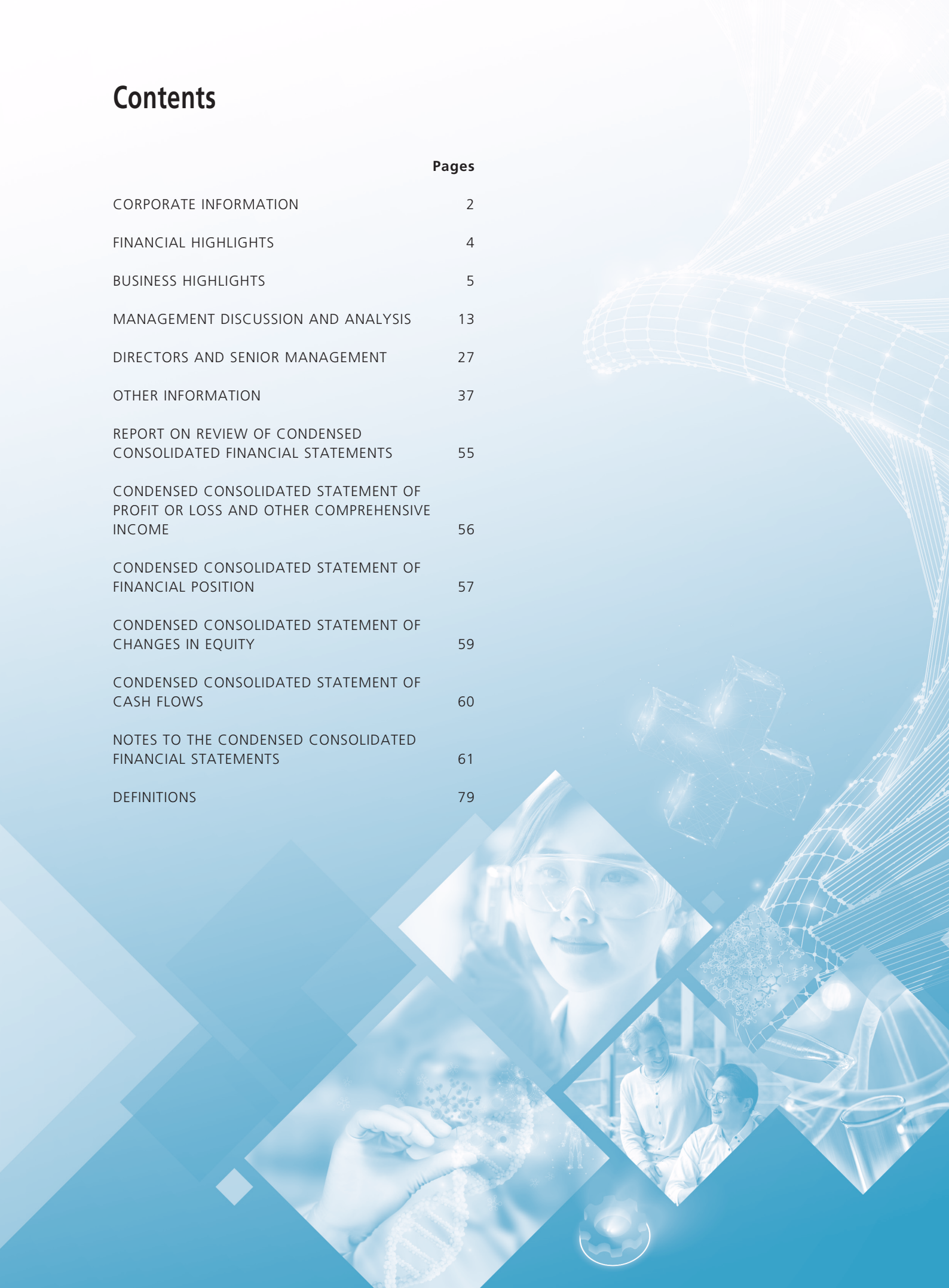
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : **2616**



# 2023
## Interim Report
## 中期報告

# Contents





# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Dr. Jianxin Yang *(Chief Executive Officer)*

### Non-executive Directors

Dr. Wei Li *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Yanling Cao *(resigned on January 18, 2023)*
Mr. Xianghong Lin
Mr. Edward Hu

### 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. Wei Li *(Chairman)*
Mr. Yanling Cao *(resigned on January 18, 2023)*
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

## STRATEGY COMMITTEE

Dr. Jianxin Yang *(Chairman)*
Mr. Edward Hu
Dr. Paul Herbert Chew

## INVESTMENT COMMITTEE

Mr. Edward Hu *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Hongbin Sun

## AUTHORIZED REPRESENTATIVES

Dr. Jianxin Yang
Ms. Ho Yin Kwan

## COMPANY SECRETARIES

Ms. Weicong Ni *(appointed on January 18, 2023)*
Mr. Ning He *(resigned on January 18, 2023)*
Ms. Yin Kwan Ho

## COMPANY WEBSITE:

www.cstonepharma.com

## 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

218 Xinghu Street
C1 Building, North Block
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China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
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Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR

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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
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183 Queen's Road East
Wanchai
Hong Kong

## HONG KONG LEGAL ADVISER

Fangda Partners
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8 Connaught Place
Central
Hong Kong

## COMPLIANCE ADVISOR

Rainbow Capital (HK) Limited
Room 5B, 12/F, Tung Ning Building
No. 2 Hillier Street
Sheung Wan
Hong Kong

## STOCK CODE:

2616

## AUDITOR

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

# Financial Highlights

## FINANCIAL HIGHLIGHTS

### International Financial Reporting Standards ("IFRS") Measures:

- **Revenue** was RMB261.5 million for the six months ended June 30, 2023, composed of RMB246.9 million in sales of pharmaceutical products (avapritinib, pralsetinib and ivosidenib) and RMB14.6 million in royalty income of sugemalimab, representing an increase of pharmaceutical products sales of RMB85.5 million, or 53%, from RMB161.4 million for the six months ended June 30, 2022 and an increase of royalty income of RMB1.5 million, or 11%, from RMB13.1 million for the six months ended June 30, 2022.

- **Research and development expenses** were RMB186.8 million for the six months ended June 30, 2023, representing a decrease of RMB79.8 million from RMB266.6 million for the six months ended June 30, 2022, primarily due to the decrease in milestone fee and third party contracting costs and the decrease in employee costs.

- **Administrative expenses** were RMB89.2 million for the six months ended June 30, 2023, representing a decrease of RMB45.6 million from RMB134.8 million for the six months ended June 30, 2022, primarily due to the decrease in employee costs.

- **Selling and marketing expenses** were RMB131.4 million for the six months ended June 30, 2023, representing a decrease of RMB15.0 million from RMB146.4 million for the six months ended June 30, 2022, primarily attributable to the decrease in employee costs and professional fees.

- **Loss for the period** was RMB209.2 million for the six months ended June 30, 2023, representing a decrease of RMB152.4 million, or 42%, from RMB361.6 million for the six months ended June 30, 2022, primarily attributable to the decrease in research and development expenses and decrease in employee costs.

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

- **Research and development expenses** excluding the share-based payment expenses were RMB198.1 million for the six months ended June 30, 2023, representing a decrease of RMB20.8 million from RMB218.9 million for the six months ended June 30, 2022, primarily due to the decrease in milestone fee and third party contracting costs and the decrease in employee costs.

- **Administrative and selling and marketing expenses** excluding the share-based payment expenses were RMB183.1 million for the six months ended June 30, 2023, representing a decrease of RMB41.3 million from RMB224.4 million for the six months ended June 30, 2022, primarily attributable to the decrease in employee costs and professional fees.

- **Loss for the period** excluding the share-based payment expenses was RMB183.0 million for the six months ended June 30, 2023, representing a decrease of RMB74.1 million, or 29%, from RMB257.1 million for the six months ended June 30, 2022, primarily attributable to the decrease in research and development expenses and the decrease in employee costs.

# Business Highlights

The first half of 2023 has been a fruitful period for CStone with milestones across our evolving pipeline and business. We have four products in market which generate recurring revenue to provide financial strength and fund further growth initiatives. For the six months ended June 30, 2023 and as of the date of this report, significant progress has been made with respect to our product pipeline and business operations. A shortlist of our achievements over this period includes:

- RMB261.5 million in total revenue which is composed of RMB246.9 million in sales of our precision medicines and RMB14.6 million in royalty income of sugemalimab

- Two NDA approvals obtained for pralsetinib: first-line treatment of rearranged during transfection ("**RET**") fusion-positive non-small cell lung cancer ("**NSCLC**") in mainland China which leads to a broader coverage of pralsetinib in both first-line and second-line NSCLC; and RET fusion-positive NSCLC, RET-mutant medullary thyroid cancer ("**MTC**") & RET fusion-positive thyroid cancer ("**TC**") in Taiwan, China

- Five NDAs currently under review: sugemalimab for relapsed or refractory ("**R/R**") extranodal natural killer/T-cell lymphoma ("**ENKTL**") in mainland China, sugemalimab for first-line stage IV NSCLC in the United Kingdom ("**U.K.**"), sugemalimab for first-line stage IV NSCLC in the European Union ("**E.U.**"), sugemalimab for first-line gastric adenocarcinoma/gastroesophageal junction adenocarcinoma ("**GC/GEJ**") in mainland China, sugemalimab for first-line esophageal squamous cell carcinoma ("**ESCC**") in mainland China. The Good Clinical Practice ("**GCP**") inspection notification from the European Medicines Agency (the "**EMA**") for first-line stage IV NSCLC has been received

- Global multi-regional clinical trial of CS5001 making rapid progress: the first-in-human ("**FIH**") global study of CS5001, a receptor tyrosine kinase-like orphan receptor 1 ("**ROR1**") antibody-drug conjugate ("**ADC**"), being conducted in the United States of America ("**U.S.**") and Australia, and has now expanded to include China, further accelerating the development of this asset; has completed safety evaluation of several dose levels, with results indicating good safety and tolerability

- Other key clinical programs proceeding smoothly: patient recruitment completed in the pivotal study of lorlatinib for c-ros oncogene 1 ("**ROS1**")-positive advanced NSCLC in mainland China and clinical trial progressing steadily for global phase III trial of nofazinlimab in combination with LENVIMA® (lenvatinib) in first-line advanced hepatocellular carcinoma ("**HCC**")

- Six data presentations/publications at/on global academic conferences/top-tier medical journals, such as the ESMO World Congress on Gastrointestinal Cancer ("**ESMO GI Congress**"), *Journal of Clinical Oncology, Nature Cancer*, etc.

- Over ten discovery projects in progress, including multi-specifics, antibody drug conjugates, and a proprietary cell penetrating therapeutic ("**CPT**") platform for drugging intractable intracellular targets; *in vitro* proof-of-concept ("**PoC**") for CPT with three therapeutic modalities has been achieved

- The application of technology transfer for avapritinib is under review by the Center for Drug Evaluation ("**CDE**") of the National Medical Products Administration ("**NMPA**"). The technology transfer for pralsetinib is proceeding smoothly, and a bio-equivalence ("**BE**") study has been initiated

## I. New Indication Launches and Continued Robust Commercial Efforts

Highlights and details on our commercial activities as of the date of this report are as follows:

- ***Steady and continued ramp up in product sales***

  We generated overall net sales of RMB246.9 million in the first half of 2023 on the basis of steady growth in the total product sales of GAVRETO® (pralsetinib), AYVAKIT® (avapritinib) and TIBSOVO® (ivosidenib).

- ***Achieved successful launches of new indications***

  We expanded the indications for our in-market products and positioned them to become meaningful future contributors to our revenue.

  – GAVRETO® (pralsetinib): The indication for the first-line treatment of patients with locally advanced or metastatic RET fusion-positive NSCLC was launched in mainland China.

  – GAVRETO® (pralsetinib): The indications for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC were launched in Taiwan, China.

- ***Expansion of sales force coverage in key markets for prescriptions of precision drugs***

  We have specifically focused our efforts on ensuring dedicated sales force coverage and successfully expanded our coverage to approximately 850 hospitals in over 180 cities as of the date of this report, up from 800 in 2022, accounting for approximately 75-80% of the relevant market for precision medicines where we believe we can maximize the return on our sales efforts.

- ***Formed a precision diagnostics ecosystem with key stakeholders to facilitate patient identification***

  – We have signed collaboration agreements with top gene sequencing companies to further improve the testing rate for RET mutation in NSCLC/TC, platelet-derived growth factor receptor alpha ("**PDGFRA**") exon 18 mutation in gastrointestinal stromal tumor ("**GIST**") and isocitrate dehydrogenase 1 ("**IDH1**") mutation in acute myeloid leukemia ("**AML**"). We also established Lung Cancer Precision Alliance ("**LCPA**") with top pharmaceutical companies including BeiGene & Merck, which is the industry's first alliance focusing on rare targets in the NSCLC field, in order to maximize the RET testing rate in broader market.

  – We have strengthened partnership with National Pathology Quality Control Center ("**PQCC**") to standardize testing process and improve testing accuracy, with number of participating hospitals continuously improving.

  – We have continued to provide support to NSCLC/MTC patients for RET mutation testing and to AML patients for IDH1 mutation testing, covering approximately 1,200 patients since the program was launched.

- ***Established broad industry and academic awareness of our brand and scientific leadership***

  – GAVRETO® (pralsetinib), AYVAKIT® (avapritinib) and TIBSOVO® (ivosidenib) were included in 21 of China's national guidelines for testing and treatment in multiple therapeutic areas, such as NSCLC, TC, GIST, SM, and AML, etc. In particular, the 2023 CSCO NSCLC guideline, the 2022 CSCO GIST Guidelines, the 2022 Chinese Guideline for Diagnosis and Treatment of Systemic Mastocytosis in Adults, and the 2022 China Anti Cancer Association ("**CACA**") Hematological Oncology Guideline, etc.

  – We are in close collaboration with several industry associations – Chinese Society of Clinical Oncology ("**CSCO**"), CACA, Chinese Medical Association, Chinese Medical Doctor Association, etc., – on diagnosis and treatment standardization projects for GIST, NSCLC, MTC and hematological malignancies, further strengthening our industry connections and demonstrating our expertise.

  – We initiated or supported investigators in post-approval clinical projects, such as investigator-initiated trials ("**IIT**") and real-world studies ("**RWS**"), to generate additional data in multiple cancer indications. For example, a multi-centered RWS evaluated the safety and efficacy of AYVAKIT® (avapritinib) in Chinese patients with GIST; another IIT aims to study the efficacy and safety profile of AYVAKIT® (avapritinib) for the treatment of R/R AML with KIT D816 or N822 mutations.

- ***Developing a range of approaches to promote accessibility and affordability of our drugs***

  – We have updated our pricing strategy for our in-market products. Specifically, the patient assistance program ("**PAP**") scheme for GAVRETO® (pralsetinib) was updated to lower the barrier for some patients with low affordability and improve price competitiveness. We also launched a new PAP for AYVAKIT® (avapritinib) to support the long-term treatment for GIST patients. We adjusted the PAP scheme for TIBSOVO® (ivosidenib) to increase affordability and duration of treatment ("**DOT**").

  – We secured inclusion of AYVAKIT® (avapritinib), GAVRETO® (pralsetinib) and TIBSOVO® (ivosidenib) in 138 of the major commercial and government insurance programs in all major areas such as Beijing, Shanghai, Guangdong, Zhejiang, and Shandong, etc., covering a population of approximately 100 million.

  – We continued strategic collaboration with Sinopharm Group Co., Ltd ("**Sinopharm**") and formed a new partnership with Shanghai Pharmaceuticals Holding Co., Ltd ("**SPH**") to broaden hospital and pharmacy distribution coverage for GAVRETO® (pralsetinib), AYVAKIT® (avapritinib) and TIBSOVO® (ivosidenib). As of the date of this report, AYVAKIT® (avapritinib), GAVRETO® (pralsetinib) and TIBSOVO® (ivosidenib) have been listed in approximately 300 hospitals and direct-to-patient pharmacies ("**DTPs**"), up from approximately 220 in 2022.

- ***Continued patient education and support to improve retention and DOT***

  We made continuous efforts in patient support via online patient communities and offline education sessions to improve patient retention and DOT. As of the date of this report, our online platform has over 8,000 subscribers and has published over 330 patient stories since launch. Moreover we have held approximately 200 patient education sessions, covering 20,000 potential patients.

- ***Collaborating with Pfizer on the commercialization of sugemalimab in China***

  – We are closely collaborating with our partner Pfizer on the commercialization of sugemalimab in mainland China.

  – In 2023, sugemalimab as a treatment of stage III NSCLC has been upgraded to a Level 1 recommendation in the 2023 CSCO NSCLC guideline and the 2023 CSCO Immunotherapy guideline. In addition, sugemalimab has been included in the 2023 clinical practice guideline for stage IV primary lung cancer in China.

## II. Clinical Advancements across an Evolving Pipeline

Details are as follows:

- **Sugemalimab** (CS1001, PD-L1 antibody), new indications under review and expanding to Europe and the U.K.

  – **Stage IV NSCLC:**

    - For the markets outside of Greater China, the marketing authorization application ("**MAA**") for stage IV NSCLC indication is under review by the regulatory agencies in multiple countries and regions. In February 2023 and December 2022, the MAA filing for sugemalimab in combination with chemotherapy as the first-line treatment for patients with metastatic NSCLC was accepted by the EMA in the E.U. and the Medicines and Healthcare products Regulatory Agency ("**MHRA**") in the U.K. respectively. Currently, this indication is under review by both parties. In July 2023, we received the GCP inspection notification from EMA for this indication in the E.U.

    - In June 2023, we announced that the results of Overall Survival ("**OS**") interim analysis in the registrational GEMSTONE-302 study in patients with stage IV NSCLC were published in a world-renowned oncology journal – Nature Cancer.

  – **GC/GEJ:**

    - In February 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJ.

    - In August 2023, we announced that the registrational trial of sugemalimab in combination with chemotherapy as the first-line treatment for unresectable locally advanced or metastatic GC/GEJ met its primary endpoint of OS.

  – **ESCC:**

    - In April 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.

    - In January 2023, we announced that the GEMSTONE-304 study for the first-line treatment of unresectable locally advanced, recurrent, or metastatic ESCC has met its primary endpoints. Sugemalimab in combination with chemotherapy demonstrated a statistically significant and clinically meaningful improvement in progression-free survival ("**PFS**") and OS compared with placebo in combination with chemotherapy. We presented the detailed results at the ESMO GI Congress in June 2023.

  - **R/R ENKTL:**

    - In March 2023, we announced that the results of the registrational GEMSTONE-201 study in patients with R/R ENKTL were published in a top-tier oncology journal – *Journal of Clinical Oncology*.

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

  - In January 2023, we received the NDA approval from the Taiwan Food and Drug Administration ("**TFDA**") for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC.

  - In June 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC who have not been previously treated with systemic therapy.

  - In June 2023, we published updated results from the phase I/II ARROW trial in Chinese patients with RET fusion-positive NSCLC in *Cancer*.

- **CS5001** (LCB71, ROR1 ADC)

  - The global FIH study of this potential best-in-class ("**BIC**") ROR1 ADC has shown swift recruitment to the dose-escalation part in the U.S. and Australia with good safety and tolerability demonstrated. This multi-regional clinical trial has now expanded to include China, further accelerating the development of this product. As one of the most advanced ROR1 ADCs in clinical development, CS5001 has therapeutic potential for various hematological and solid malignancies.

  - CS5001 has many distinctive features, including proprietary site-specific conjugation, tumor-cleavable linker, and prodrug technology. CS5001 demonstrated a BIC potential in mantle cell lymphoma and triple negative breast cancer xenograft models compared to a benchmark ROR1 ADC. In addition, CS5001 demonstrated a bystander effect in *in vitro* co-culture systems, suggesting that solid tumors with heterogeneous/low expression of ROR1 may also benefit. In March 2023, we presented the translational data of CS5001 in an oral session at the 13th world ADC London conference ("**World ADC London**").

  - In addition, we have identified a promising candidate ROR1 antibody clone for immuno-histochemistry ("**IHC**") to enable biomarker-driven patient selection based on tumor ROR1 expression, supporting precision medicine efforts in the future.

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

  - In January 2023, we completed the China bridging study of ivosidenib in R/R AML patients.

  - In May 2023, we reached alignment with CDE on the regulatory pathway toward full approval of ivosidenib as a treatment for R/R AML, and application dossiers are currently under preparation.

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

  - In May 2023, our partner, Blueprint Medicines Corporation ("**Blueprint Medicines**"), received NDA approval from the U.S. Food and Drug Administration ("**FDA**") for the treatment of adults with indolent systemic mastocytosis.

  - In June 2023, we presented new data of avapritinib in patients with advanced GIST at the American Society of Clinical Oncology ("**ASCO**") Annual Meeting 2023.

- **Lorlatinib** (ALK/ROS-1 inhibitor)

  – We are working with Pfizer to jointly develop lorlatinib in Greater China and conducting a pivotal study in patients with ROS1-positive advanced NSCLC. In June 2023, we completed the patient enrollment for this study.

## III. Building out Research Pipeline Leveraging Multiple Sources of Innovation

Precision medicines and immuno-oncology combinations remain our strategic focus. ADCs which deliver cytotoxic agents to tumors with precision, and multi-specific biologics which can create new biology and combinations represent two near-term modalities for early development.

We have made significant progress in the first half of 2023 with several initiatives:

- **First-in-Class ("FIC") ADCs:** Two FIC ADC programs are progressing toward preclinical candidate ("**PCC**") nomination, including one where a novel tumor-associated antigen which is expressed in multiple large tumor indications was identified using an in-house machine-learning bioinformatic algorithm. Candidate antibodies have been selected, and the conjugated lead molecules have demonstrated encouraging *in vitro* potency and *in vivo* efficacy. Investigational new drug applications ("**INDs**") are expected to be filed in 2024 or 2025.

- **I/O multi-specifics:** CS2009, which is a tri-specific molecule against PD-1, VEGF plus another I/O target, is under cell line development. IND is expected to be filed in 2024. Additionally, two other I/O multi-specific programs are progressing through IND-enabling and PCC selection phases, respectively.

- **Cell penetrating therapeutic platform:** Numerous well-known oncology targets are intracellular proteins deemed undruggable by current therapeutic approaches. We are developing a proprietary CPT platform against these otherwise intractable targets. Significant progress has been made in the development of this platform with broad therapeutic potential for oncology and beyond. We have obtained *in vitro* PoC using this platform for three treatment modalities thus far and observed drug-like *in vivo* pharmacokinetics as well as tumor bio-distribution.

## IV. Strategic Relationships Advance Commercialization Activities and Pipeline Development

We continue to grow and deepen relationships with key global strategic partners to expand commercialization of our in-market and late-stage drugs, bolster our early-stage pipeline of potential FIC/BIC molecules, and access technologies that complement our research and development efforts.

On February 22, 2023, Blueprint Medicines announced that they will regain global commercialization and development rights to pralsetinib from Roche, excluding Greater China. The transition is scheduled to be completed in February 2024, and Blueprint Medicines has initiated a process to re-partner pralsetinib outside of Greater China. We are currently working together with Roche and Blueprint Medicines to take necessary steps to ensure continuity of supply of pralsetinib for patients in Greater China.

Under our partnership with Jiangsu Hengrui Pharmaceuticals Co., Ltd. ("**Hengrui**") for anti-CTLA-4 mAb (CS1002), a phase Ib/II trial of CS1002 combination therapy for the treatment of advanced solid tumors including HCC and NSCLC is being conducted by Hengrui.

We regained rights for the development and commercialization of sugemalimab and nofazinlimab outside of Greater China, with the termination of the License Agreement for sugemalimab and nofazinlimab between CStone and EQRx on May 9, 2023. The transition has been completed in August 2023. Currently, we are leading the regulatory process for sugemalimab MAA reviews by the EMA and the U.K. MHRA. The termination of this License Agreement will not affect the upfront and milestone payments previously received from EQRx. We are currently exploring potential partnership opportunities for both sugemalimab and nofazinlimab outside of Greater China.

### V. Other Business Updates

Manufacturing. We are also in the process of technology transfer for multiple imported products which is expected to reduce costs and improve long-term profitability of our products. Specifically, the application relating to technology transfer for avapritinib is under review by the CDE. At the same time, the technology transfer for pralsetinib is proceeding smoothly, and a BE study has been initiated.

## FUTURE AND OUTLOOK

We are working to bring a number of significant clinical and commercial developments to fruition that will be catalysts for our growth in the next twelve months.

A detailed breakdown of expected developments for the next twelve months is set forth as below.

### Commercial Developments

Our commercial team is working rapidly to expand the addressable market for our products and maximize their commercial potential with a focus on the following:

- Improving market coverage by maximizing deployment effectiveness and leveraging digital platform
- Improving diagnosis rate and accuracy via deep collaboration with diagnostic companies, industry associations (e.g. PQCC), patient platforms and big data companies
- Strengthening branding and scientific leadership by leveraging the inclusion of guidelines, holding academic activities, and conducting post-approval clinical projects with focus on differentiation in clinical and safety profile
- Strengthening accessibility with continued efforts in hospitals and DTPs listing
- Improving affordability through pricing strategy optimization and commercial insurance/innovative payment plans
- Enhancing patient education and support through patient community engagement, education sessions and follow-ups leveraging digital platform

# Business Highlights

## Research & Development

***NDA approvals expected:***

- Sugemalimab: NDA approval for R/R ENKTL in mainland China by the end of 2023
- Sugemalimab: MAA approval for the first-line treatment in stage IV NSCLC in the E.U. in the first half of 2024
- Sugemalimab: MAA approval for the first-line treatment in stage IV NSCLC in the U.K. in the first half of 2024
- Sugemalimab: NDA approval for the first-line treatment in advanced GC/GEJ in mainland China in late 2023 or the first half of 2024
- Sugemalimab: NDA approval for the first-line treatment in advanced ESCC in mainland China in late 2023 or the first half of 2024

***NDA filing expected:***

- Lorlatinib: supplemental NDA filing in mainland China for ROS1-positive advanced NSCLC in 2024

***Topline readouts expected:***

- Nofazinlimab: topline readout of the global phase III trial of nofazinlimab in combination with LENVIMA® (lenvatinib) for the first-line treatment of patients with advanced HCC in the first quarter of 2024

***Early clinical programs:***

- CS5001: update on clinical safety and efficacy by the end of 2023 and conference presentation in the first half of 2024

## OUR VISION

Our vision is to become a world-renowned biopharmaceutical company leading the way to conquering cancer.

## OVERVIEW

CStone is a biopharmaceutical company focused on researching, developing, and commercializing innovative immuno-oncology and precision medicines to address the unmet medical needs of cancer patients in China and worldwide. Established in 2015, CStone has assembled a management team with extensive experience in innovative drug development, clinical research, and commercialization. The Company has built an oncology-focused pipeline of 14 drug candidates with a strategic emphasis on precision medicines and immuno-oncology combination therapies. Currently, CStone has received eleven NDA approvals for four drugs. 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 of Hong Kong Limited (the "**Stock Exchange**") and the Company.

Product Pipeline

| Drug candidate | Rights | Indication | Pre-clinical | FIH | POC | Pivotal | NDA | Marketed | Approval | | | | Partner |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | CN | TW | HK | US | |
| **Pralsetinib** (RET) | | 2L NSCLC | | | | | | | ✓ | ✓ | ✓ | ✓ | blueprint |
| | | 1L NSCLC | | | | | | | ✓ | ✓ | ✓ | ✓ | |
| | | 1L MTC / TC | | | | | | | ✓ | ✓ | | | |
| | | Multiple tumors | | | | | | | | | | | |
| **Avapritinib** (KIT/PDGFRA) | | PDGFRA exon 18 GIST | | | | | | | ✓ | ✓ | ✓ | ✓ | blueprint |
| | | SM[1] | | | | | | | | | | ✓ | |
| **Ivosidenib** (IDH1) | | R/R AML | | | | | | | ✓ | | | ✓ | SERVIER |
| | | 1L AML | | | | | | | | | | ✓ | |
| **Sugemalimab** (PD-L1) | | 1L Stage IV NSCLC | | | | | | | ✓ | | | | Pfizer<br>Mainland China |
| | | 1L Stage IV NSCLC | | | | | | | | | | | |
| | | Stage III NSCLC | | | | | | | ✓ | | | | |
| | | 1L GC/GEJ | | | | | | | | | | | |
| | | 1L ESCC | | | | | | | | | | | |
| | | R/R ENKTL | | | | | | | | | | | |
| | | R/R ENKTL | | | | | | | | | | | |
| **CS1003** (PD-1) | | 1L HCC | | | | | | | | | | | |
| **Lorlatinib** (ROS1/ALK) | | NSCLC | | | | | | | ✓ (ALK) | | | ✓ (ALK) | Pfizer[3] |
| **Fisogatinib** (FGFR4) | | HCC | | | | | | | | | | | blueprint |
| **CS1002** (CTLA-4) | | Solid tumors | | | | | | | | | | | Greater China |
| **CS5001**[2] (ROR1) | | Solid tumors<br>hematologic malignancies | | | | | | | | | | | LCB |
| **CS2009** (PD1/<br>VEGF/another IO target) | | Solid tumors | | | | | | | | | | | |
| **CS5005** (Undisclosed ADC) | | Solid tumors | | | | | | | | | | | |
| **CS5006** (Undisclosed ADC) | | Solid tumors | | | | | | | | | | | |
| **CS6001** (Immuno-cytokine) | | Solid tumors | | | | | | | | | | | |
| **CS2008** (Undisclosed Multi-specific) | | Solid tumors | | | | | | | | | | | |

*Note: Assets status denotes progress in the region(s) noted in the column titled "Rights"; CN = Mainland China, TW = Taiwan, China, HK = Hong Kong SAR, China, US = United States, FIH = First in Human, POC = Proof of Concept, NSCLC = Non-small Cell Lung Cancer, MTC = Medullary Thyroid Cancer, TC = Thyroid Cancer, GIST = Gastrointestinal Stromal Tumor, SM = Systemic Mastocytosis, GC/GEJ = Gastric Adenocarcinoma/Gastroesophageal Junction Adenocarcinoma, ESCC = Esophageal Squamous Cell Carcinoma, R/R = Relapsed or Refractory, NKTL = Natural KILLER/T Cell Lymphoma, AML= Acute Myeloid Leukemia, HCC = Hepatocellular Carcinoma*

*1. POC was conducted in the U.S. and no clinical trials have been conducted in China; 2.CStone obtains the exclusive global right to lead development and commercialization of LCB71/CS5001 outside the Republic of Korea; 3. Co-development in Greater China*

Greater China · Global · Singapore · Expedited registration

## BUSINESS REVIEW

### Commercial Operations

Marching into the third year since we launched our first product, we are committed to establishing leadership in precision medicine and to benefiting more patients.

Our commercial team's efforts have enhanced the accessibility and affordability of our products on the market to bolster sales. They have continued a proactive engagement program to broaden and deepen ties to the healthcare community and critical stakeholder groups as part of preparations for launching and commercialization of our drug candidates. Our commercial team has established coverage of over 850 hospitals across more than 180 cities, building coverage of hospitals that account for approximately 75-80% of the relevant market of precision medicines. They also successfully secured the inclusion of our drugs in major commercial and government-administered insurance plans as part of an effort to broaden patient access to our drugs by making them more affordable. As a result of these efforts, we achieved steady growth in sales of AYVAKIT® (avapritinib), GAVRETO® (pralsetinib) and TIBSOVO® (ivosidenib), generating a combined net sales of RMB246.9 million in the first half of 2023.

Our partnerships with pharmaceutical and biotech companies are cornerstones of our near-term commercial plans as well as our global aspirations. Through our successful collaboration with Pfizer, we are demonstrating the merits of our unique clinical development capabilities, and our attractiveness to multinational players who may potentially partner with us.

Details on our full commercial efforts are set out below:

- ***GAVRETO® (pralsetinib)***

  - GAVRETO® (pralsetinib), a FIC RET inhibitor in China, has been approved by the NMPA for the first-line treatment of adults with locally advanced or metastatic RET fusion-positive NSCLC, and the treatment of 1) adults with locally advanced or metastatic RET fusion-positive NSCLC previously treated with platinum-based chemotherapy; and 2) patients with advanced or metastatic RET-mutant MTC and RET fusion-positive TC. In addition, it has been approved by the Department of Health of the Government of Hong Kong ("**HK DoH**") for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC and has been approved by the TFDA for the treatment of adult patients with locally advanced or metastatic RET fusion-positive NSCLC, advanced or metastatic RET-mutant MTC, and RET fusion-positive TC.

  - We ramped up our efforts to establish scientific and academic leadership for GAVRETO® (pralsetinib). During the Reporting Period, GAVRETO® (pralsetinib) was recommended by the newly updated 2023 CSCO NSCLC Guidelines, which recommended RET mutation gene testing and GAVRETO® (pralsetinib) in the treatment of RET positive NSCLC patients.

  - The inclusion in national guidelines, such as the 2023 CSCO NSCLC Guidelines, has increased pathologists' and clinicians' awareness on RET testing in NSCLC and TC to maximize the pool of patients identified. These efforts have contributed to a RET testing rate of more than 80% at the top 200 hospitals in China.

  - In addition, we further strengthened the brand and share of voice for GAVRETO® (pralsetinib) by successfully holding NSCLC RET Precision Forum.

  - We continued to improve the accessibility and affordability of GAVRETO® (pralsetinib). As of the date of this report, GAVRETO® (pralsetinib) has been included in 138 commercial and government insurance programs and listed in approximately 200 hospitals and DTPs. The PAP scheme for GAVRETO® (pralsetinib) was updated in May 2023 to support the long-term treatment of the patients.

- ***AYVAKIT® (avapritinib)***

  – AYVAKIT® (avapritinib), a FIC KIT/PDGFRA inhibitor, has been approved by the NMPA for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. AYVAKIT® (avapritinib) has also been approved by the TFDA and the HK DoH for the treatment of patients with unresectable or metastatic PDGFRA D842V mutant GIST.

  – AYVAKIT® (avapritinib) is recommended by several authoritative guidelines. During the Reporting Period, AYVAKIT® (avapritinib) was recommended by the newly updated 2022 CSCO GIST guideline and the 2022 Chinese Guideline for Diagnosis and Treatment of Systemic Mastocytosis in Adults.

  – We further improved awareness and accessibility of testing for PDGFRA exon 18 mutation in GIST through continuous collaborations with top diagnostics companies, PQCC and peers. The testing rate of PDGFRA exon 18 in GIST has been improved to 80% at the top 100 hospitals.

  – We collaborated with the Chinese Medical Doctor Association, the Chinese College of Surgeons and the CSCO Experts Committee on GIST to help shape the paradigm of precision medicine and the ability to diagnose and treat GIST patients.

  – Moreover, we continued to improve the product perception to further strengthen AYVAKIT® (avapritinib)'s leading position in GIST patients.

  – We continued to improve the accessibility and affordability of AYVAKIT® (avapritinib). As of the date of this report, AYVAKIT® (avapritinib) has been included in 108 commercial and government insurance programs and listed in approximately 80 hospitals and DTPs. We launched the new PAP program in February 2023 to support long-term treatment for GIST patients.

- ***TIBSOVO® (ivosidenib)***

  – TIBSOVO® (ivosidenib), a FIC IDH1 inhibitor, has been approved by the NMPA for the treatment of adult patients with R/R AML who have an IDH1 mutation.

  – Ivosidenib is recommended by six authoritative guidelines, and it has become the first choice for treatment of AML with IDH1 mutation.

  – We have formed collaborations with top diagnostics companies in hematology, such as Kinstar Global, on awareness and quality of testing for IDH1 mutation in AML. We also launched testing support programs for IDH1 mutation patients. IDH1 testing has become a standard process in the hematology departments of our covered hospitals, and the testing rate has reached 80% at the top 200 hospitals.

  – We have made significant progress in improving the accessibility and affordability of TIBSOVO® (ivosidenib) since it was launched. As of the date of this report, TIBSOVO® (ivosidenib) has been included in 97 commercial and government insurance programs and listed in approximately 80 hospitals and DTPs. In June 2023, we adjusted the PAP scheme for TIBSOVO® (ivosidenib) to increase affordability and extend DOT.

- ***Sugemalimab***
  - We continued to work closely with Pfizer to support the commercialization of sugemalimab in mainland China.
  - In 2023, sugemalimab as a treatment for stage III NSCLC has been upgraded to a Level 1 recommendation in the 2023 CSCO NSCLC guideline and the 2023 CSCO Immunotherapy guideline. In addition, sugemalimab has also been included in the 2023 clinical practice guideline for stage IV primary lung cancer in China.

## Clinical Development

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

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

- In January 2023, we received the NDA approval from the TFDA for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC.
- In June 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC who have not been previously treated with systemic therapy.
- In June 2023, we published updated results from the phase I/II ARROW trial in Chinese patients with RET fusion-positive NSCLC in *Cancer*. The data showed durable and long-term clinical benefits of pralsetinib in both treatment-naïve and previously treated Chinese patients with advanced RET fusion-positive NSCLC, and a generally well-tolerated safety profile.

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

- In June 2023, we presented new data of avapritinib in patients with advanced gastrointestinal stromal tumor at ASCO 2023. These results showed robust antitumor activity of avapritinib in patients with KIT activation loop-positive, ATP binding pocket-negative GIST versus patients whose tumors harbored other KIT mutational profiles.
- In May 2023, our partner, Blueprint Medicines, received NDA approval from the FDA for the treatment of adults with indolent systemic mastocytosis in the U.S.

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

- In January 2023, we completed the China bridging study of ivosidenib in R/R AML patients.
- In May 2023, we reached alignment with the CDE on the regulatory pathway toward full approval of ivosidenib as a treatment for R/R AML, and application dossiers are currently under preparation.

***Sugemalimab (CS1001, PD-L1 antibody)***

- Sugemalimab is an investigational monoclonal antibody directed against PD-L1 that has been approved by the NMPA in China for both stage III and stage IV NSCLC patients. As a fully-human, full-length anti-PD-L1 monoclonal antibody, sugemalimab mirrors the 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 the date of this report, we have succeeded in five registrational trials for sugemalimab, including one phase II registrational study for lymphoma and four phase III registrational studies in stage IV NSCLC, stage III NSCLC, gastric cancer, and esophageal cancer, respectively.

- *Stage IV NSCLC:*

  – For the markets outside of Greater China, the MAA for stage IV NSCLC indication is under review by the regulatory agencies in multiple countries and regions. In February 2023 and December 2022, the MAA filing for sugemalimab in combination with chemotherapy as the first-line treatment for patients with metastatic NSCLC was accepted by the EMA and the MHRA in the E.U. and the U.K., respectively. Currently, this indication is under review by both parties. In July 2023, we received the GCP inspection notification from the EMA for this indication in the E.U.

  – In June 2023, we announced that the results of OS interim analysis in the registrational GEMSTONE-302 study in patients with stage IV NSCLC were published in a world-renowned oncology journal – Nature Cancer.

- *GC/GEJ:*

  – In February 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJ.

  – In August 2023, we announced that the registrational trial of sugemalimab in combination with chemotherapy as the first-line treatment for unresectable locally advanced or metastatic GC/GEJ met its primary endpoint of OS.

- *ESCC:*

  – In April 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.

  – In January 2023, we announced that the GEMSTONE-304 study for the first-line treatment of unresectable locally advanced, recurrent, or metastatic ESCC has met its primary endpoints. Sugemalimab in combination with chemotherapy demonstrated a statistically significant and clinically meaningful improvement in PFS and OS compared with placebo in combination with chemotherapy. We presented the detailed results at ESMO GI Congress in June 2023.

- *R/R ENKTL:*

  – In March 2023, we announced that the results of the registrational GEMSTONE-201 study in patients with R/R ENKTL were published in a top-tier oncology journal – Journal of Clinical Oncology.

**CAUTIONARY STATEMENT REQUIRED BY RULE 18A.05 OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SUGEMALIMAB, OR ANY OF OUR PIPELINE PRODUCTS, SUCCESSFULLY.**

***CS5001 (LCB71, ROR1 ADC)***

- The global FIH study of this potential BIC ROR1 ADC has shown swift recruitment to the dose-escalation part in the U.S. and Australia with good safety and tolerability demonstrated. This multi-regional clinical trial has now expanded to include China, with the first patient dosed in April 2023, further expediting the development of this product. As one of the most advanced ROR1 ADCs in clinical development, CS5001 has therapeutic potential for various hematological and solid malignancies.

- CS5001 has many distinctive features, including proprietary site-specific conjugation, tumor-cleavable linker, and prodrug technology. CS5001 demonstrated a BIC potential in mantle cell lymphoma and triple negative breast cancer xenograft models compared to a benchmark ROR1 ADC. In addition, CS5001 demonstrated a bystander effect in *in vitro* co-culture systems, suggesting that solid tumors with heterogeneous/low expression of ROR1 may also benefit. In March 2023, we presented the translational data of CS5001 in an oral session at the 13th World ADC London.

- In addition, we have identified a promising candidate ROR1 antibody clone for IHC to enable biomarker-driven patient selection based on tumor ROR1 expression, supporting precision medicine efforts in the future.

***Lorlatinib (ALK/ROS-1 inhibitor)***

- We are working with Pfizer to jointly develop lorlatinib in Greater China and conducting a pivotal study in patients with ROS1-positive advanced NSCLC. In December 2021, we received the IND approval from NMPA. In May 2022, we enrolled the first patient in this study. This is the first pivotal trial of lorlatinib for the treatment of ROS1-positive NSCLC in the world. In June 2023, we completed the patient recruitment for this study.

## Research

Precision medicines and immuno-oncology combinations remain our strategic focus. ADCs which deliver cytotoxic agents to tumors with precision, and multi-specific biologics which can create new biology and combinations represent two near-term modalities for early development.

We have made significant progress in the first half of 2023:

**Two FIC ADC programs:** Two FIC ADC programs are advancing toward PCC nomination. One of these programs includes the identification of a novel tumor-associated antigen which is expressed in multiple large tumor indications. This identification was achieved using an in-house machine-learning bioinformatic algorithm. Candidate antibodies have been selected, and the conjugated lead molecules exhibit promising *in vitro* potency and *in vivo* efficacy. INDs are expected in 2024 or 2025.

**I/O program:** CS2009, which is a tri-specific molecule against PD-1, VEGF plus another I/O target, is under cell line development. IND is expected to be filed in 2024. In addition, two other I/O multi-specific programs are progressing through the IND-enabling and PCC selection phases, respectively.

**Cell penetrating therapeutic platform:** Many well-known oncology targets are intracellular proteins which are considered undruggable by current therapeutic approaches. To address these otherwise intractable targets, we are developing a proprietary CPT platform. This platform has shown significant progress with broad therapeutic potential for oncology and beyond. We have obtained *in vitro* PoC for three treatment modalities while also observing drug-like *in vivo* pharmacokinetics and tumor bio-distribution.

## Business Development and Strategic Partnerships

Our business development team plays a vital strategic role in the growth of our business. They will pursue partnerships to expand commercialization of our in-market and late-stage drugs, bolster our early-stage pipeline of potential FIC/BIC molecules, and access technologies that complement our research and development efforts. In addition, they are supporting the development of our existing strategic partnerships including Pfizer, Hengrui and DotBio.

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

- ***Pfizer***

  - In December 2021, we received the first approval of sugemalimab for stage IV NSCLC including both squamous and non-squamous patients. CStone and Pfizer have worked closely together to successfully launch and commercialize sugemalimab by leveraging Pfizer's leading commercial infrastructure and deep expertise in China. In May 2022, we received the second indication approval of sugemalimab for the treatment of patients with unresectable stage III NSCLC. It is the world's first anti-PD-1/PD-L1 monoclonal antibody successfully approved as a consolidation therapy to improve PFS in patients with stage III NSCLC, after concurrent or sequential platinum-based chemoradiotherapy.

  - In June 2021, CStone and Pfizer jointly announced that they have selected the first late-stage oncology asset for co-development under the strategic collaboration agreement formed in 2020. The two companies initiated a pivotal clinical trial of lorlatinib for ROS1-positive advanced NSCLC. This step marks another milestone for CStone and Pfizer in their growing strategic partnership, which includes joint efforts to selectively introduce oncology therapies into the Greater China region. Additionally, it bolsters CStone's growing pipeline. In May 2022, the first patient was enrolled in the pivotal study of lorlatinib for the treatment of ROS1-positive advanced NSCLC under the joint efforts of CStone and Pfizer. In June 2023, we completed the patient enrollment for this study.

- ***Blueprint Medicines***

  - In 2022, we entered into a new partnership with Roche Pharmaceuticals Co., Ltd ("**Roche**") which became the global marketing authorization holder ("**MAH**") for pralsetinib. We acquired full manufacturing technology transfer rights to pralsetinib. Locally manufactured supply is expected to provide significant cost savings and improve CStone's overall profitability as a result. In the meantime, the global MAH will be responsible for the manufacturing and supply of pralsetinib for China before our successful technology transfer. On February 22, 2023, Blueprint Medicines announced that they will regain global commercialization and development rights to pralsetinib from Roche, excluding Greater China. The transition is scheduled to be completed in February 2024, and Blueprint Medicines has initiated a process to re-partner pralsetinib outside of Greater China. CStone is currently working together with Roche and Blueprint Medicines to take necessary steps to ensure continuity of supply of pralsetinib for patients in Greater China.

- ***Hengrui***

  – In November 2021, we established a strategic partnership with Hengrui by signing an exclusive licensing agreement on the Greater China rights to the anti-CTLA-4 mAb (CS1002). Under the terms of the agreement, CStone received an upfront payment and will be eligible for additional milestone payments up to US$200 million in addition to double-digit royalties. Hengrui obtained the exclusive rights for research, development, registration, manufacturing, and commercialization of CS1002 in Greater China. CStone retained the rights to develop and commercialize CS1002 outside of Greater China. This strategic partnership could help us to fully unlock the commercial potential of this asset. In 2022, Hengrui received the IND clearance from NMPA for a phase Ib/II trial of CS1002 combination therapy for the treatment of advanced solid tumors and has initiated two studies in HCC and NSCLC respectively. The trial is currently recruiting patients.

- ***EQRx***

  – We regained rights for the development and commercialization of sugemalimab and nofazinlimab outside of Greater China, with the termination of the License Agreement for sugemalimab and nofazinlimab between CStone and EQRx on May 9th, 2023. The transition has been completed in August 2023. Currently, we are leading the regulatory process for sugemalimab MAA reviews by the EMA and the U.K. MHRA. The termination of this License Agreement will not affect the upfront and milestone payments previously received from EQRx. We are currently exploring potential partnership opportunities for both sugemalimab and nofazinlimab outside of Greater China.

- ***DotBio***

  – In 2023, we continued our productive collaboration with DotBio, a biotech company specializing in next generation antibody therapies. Several bi and tri-specific prototype molecules are under testing with sequence handover expected in the second half of 2023.

In addition to the above, we continue to engage potential partners for multiple partnership opportunities that will accelerate our value creation, including in-licensing, out-licensing and strategic partnerships.

## The Impact of the Novel Coronavirus ("COVID-19")

For the six months ended June 30, 2023 and as of the date of this report, the impact of COVID-19 on our commercial operations is minimal, except that the breakout of COVID in late 2022 and early 2023 has led to decline of outpatient and inpatient for oncology treatment in major hospitals nationwide. Our business has been recovering since January 2023.

**Trademarks**

Blueprint Medicines, AYVAKIT, GAVRETO and associated logos are trademarks of Blueprint Medicines Corporation.

## FINANCIAL REVIEW

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended June 30, 2023 Compared to six months ended June 30, 2022

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue | **261,474** | 261,765 |
| Cost of revenue | **(108,037)** | (92,723) |
| Gross profit | **153,437** | 169,042 |
| Other income | **25,843** | 5,808 |
| Other gains and losses | **24,772** | 14,314 |
| Research and development expenses | **(186,770)** | (266,627) |
| Selling and marketing expenses | **(131,445)** | (146,352) |
| Administrative expenses | **(89,189)** | (134,818) |
| Finance costs | **(5,874)** | (2,936) |
| Loss for the period | **(209,226)** | (361,569) |
| **Other comprehensive (expense) income:** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **(840)** | 7 |
| Total comprehensive expense for the period | **(210,066)** | (361,562) |
| **Non-IFRS measures:** | | |
| Adjusted loss for the period | **(183,038)** | (257,083) |

***Revenue.*** Our revenue was RMB261.5 million for the six months ended June 30, 2023, composed of RMB246.9 million in sales of pharmaceutical products (avapritinib, pralsetinib and ivosidenib) and RMB14.6 million in royalty income of sugemalimab, representing an increase of pharmaceutical products sales of RMB85.5 million, or 53%, from RMB161.4 million for the six months end June 30, 2022 and an increase of royalty income of RMB1.5 million, or 11%, from RMB13.1 million for the six months ended June 30, 2022.

***Other Income.*** Our other income increased by RMB20.0 million from RMB5.8 million for the six months ended June 30, 2022 to RMB25.8 million for the six months ended June 30, 2023. This was primarily due to more bank and other interest income.

***Other Gains and Losses.*** Our other gains and losses increased by RMB10.5 million from gains of RMB14.3 million for the six months ended June 30, 2022 to gains of RMB24.8 million for the six months ended June 30, 2023. This increase was primarily due to no net loss on fair value changes of financial assets measured at FVTPL for the six months ended June 30, 2023 compared to the net loss of RMB27.3 million for the six months ended June 30, 2022.

***Research and Development Expenses.*** Our research and development expenses decreased by RMB79.8 million from RMB266.6 million for the six months ended June 30, 2022 to RMB186.8 million for the six months ended June 30, 2023. This decrease was primarily attributable to (i) a decrease of RMB81.2 million in employee cost from RMB127.7 million for the six months ended June 30, 2022 to RMB46.5 million for the six months ended June 30, 2023; (ii) a decrease of RMB15.3 million in milestone fee and third party contracting cost from RMB137.3 million for the six months ended June 30, 2022 to RMB122.0 million for the six months ended June 30, 2023 for different phases of our clinical trials; (iii) an increase of RMB16.6 million in depreciation and others.

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Milestone fee and third party contracting cost | **121,987** | 137,272 |
| Employee cost | **46,457** | 127,665 |
| Depreciation and others | **18,326** | 1,690 |
| **Total** | **186,770** | 266,627 |

***Administrative Expenses.*** Our administrative expenses decreased by RMB45.6 million from RMB134.8 million for the six months ended June 30, 2022 to RMB89.2 million for the six months ended June 30, 2023. This decrease was primarily attributable to an decrease of RMB33.4 million in employee cost from RMB95.1 million for the six months ended June 30, 2022 to RMB61.7 million for the six months ended June 30, 2023.

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Employee cost | **61,654** | 95,143 |
| Professional fees | **13,482** | 18,089 |
| Depreciation and amortization | **9,511** | 10,573 |
| Rental expenses | **1,492** | 576 |
| Others | **3,050** | 10,437 |
| **Total** | **89,189** | 134,818 |

***Selling and Marketing Expenses.*** Our selling and marketing expenses decreased by RMB15.0 million from RMB146.4 million for the for the six months ended June 30, 2022 to RMB131.4 million for the six months ended June 30, 2023. The decrease was primarily attributable to decrease in employee cost.

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Employee cost | **68,083** | 87,846 |
| Professional fees | **15,331** | 20,062 |
| Others | **48,031** | 38,444 |
| **Total** | **131,445** | 146,352 |

***Finance Costs.*** The finance costs increased by RMB3.0 million from RMB2.9 million for the six months ended June 30, 2022 to RMB5.9 million for the six months ended June 30, 2023, primarily due to increase in interests on bank borrowings.

## Non-IFRS Measures

To supplement the Group's condensed 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 share-based payment 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, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period | **(209,226)** | (361,569) |
| Added: | | |
| Share-based payment expenses | **26,188** | 104,486 |
| Adjusted loss for the period | **(183,038)** | (257,083) |

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, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Research and development expenses for the period | **(186,770)** | (266,627) |
| Added: | | |
| Share-based payment expenses | **(11,377)** | 47,753 |
| Adjusted research and development expenses for the period | **(198,147)** | (218,874) |

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Administrative and selling and marketing expenses for the period | **(220,634)** | (281,170) |
| Added: | | |
| Share-based payment expenses | **37,565** | 56,733 |
| Adjusted administrative and selling and marketing expenses for the period | **(183,069)** | (224,437) |

## Employees and Remuneration Policies

The following table sets forth a breakdown of our employees at June 30, 2023 by function:

| **Function** | **Number of employees** | **% of total number of employees** |
|---|---|---|
| Research and Development | 137 | 28.90 |
| Sales, General and Administrative | 337 | 71.10 |
| **Total** | 474 | 100.0 |

As of June 30, 2023, we had 199 employees in Shanghai, 49 employees in Beijing, 32 employees in Suzhou and 194 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. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO Incentivization Plan, the Post-IPO ESOP and the Post-IPO RSU Scheme. Details of such schemes are set out in the section headed "Share Incentivization Schemes" in this report.

The Group believes that employees are important and valuable assets. The Group will provide training for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees.

### Liquidity and Financial Resources

The Group has always adopted a prudent treasury management policy. The Group has taken a multi-source approach to fund our operations and meet development demands for capital, including service and milestone and upfront payments from our collaboration partners, bank borrowings, investments from other third parties and proceeds from our listing on the Stock Exchange.

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$146,294.76 representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB2,090.16 million (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from US$ to HK$ is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of February 26, 2019.

On September 30, 2020 (before trading hours), the Company entered into a share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million).

On February 8, 2023 (before trading hours), the Company entered into a placing agreement with Morgan Stanley Asia Limited (the "**Placing Agent**"), pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 84,800,000 ordinary Shares to not less than six placees at a price of HK$4.633 per placing Share. The closing market price of the Company's Shares was HK$5.08 on February 7, 2023. Based on a nominal value of USD0.0001 per Share, the aggregate nominal value of the placing Shares is USD8,480. All the conditions of the placing were fulfilled and the closing of the placing took place on February 15, 2023. The Company received net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, of approximately HK$389.07 million (equivalent to approximately RMB338.12 million). The net price per placing share is approximately HK$4.59.

At June 30, 2023, our cash and cash equivalents and time deposits were RMB1,005.4 million, as compared to RMB1,042.1 million as of December 31, 2022. The decrease was mainly due to the payment of research and development expenses. The cash and cash equivalents were mainly denominated in RMB and USD.

### Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. At June 30, 2023, our gearing ratio was 63.6% (December 31, 2022: 72.6%).

### Charge on Assets

At June 30, 2023, the Group did not pledge any group assets (December 31, 2022: Nil).

## OTHER FINANCIAL INFORMATION

### Significant Investments, Material Acquisitions and Disposals

As at June 30, 2023, we did not hold any significant investments and there had been no material acquisitions and disposals by the Group. As of the date of this report, we have no specific future plan for material investments or capital assets, as well as 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, financial assets measured at FVTPL 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 of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Bank Loans and Other Borrowings

As at June 30 2023, the Group's bank borrowings were all denominated in RMB. In 2020, the Group obtained two new bank loan facilities amounting to RMB175 million and RMB25 million, respectively, for the purpose of the construction of the facilities and working capital. In 2022, the Group obtained one new bank loan facility amounting to RMB100 million for the purpose of working capital. In 2023, the Group obtained one new bank loan facility amounting to RMB50 million for the purpose of working capital. During the six months ended June 30, 2023, the Group has drawn down RMB100,000,000 and repaid RMB154,283,000 of principal and interest in accordance with the payment schedules.

### Contingent Liabilities

As at June 30, 2023, we did not have any material contingent liabilities (as at June 30, 2022: Nil).

## DIRECTORS

### Executive Director

**Dr. Jianxin Yang (楊建新), M.D., Ph.D.**, aged 59, is our Chief Executive Officer, executive Director, chairman of the Strategy Committee and an authorized representative of the Company and was re-elected as an executive Director on June 21, 2023. Dr. Yang was our senior vice president and Chief Medical Officer from December 2016 to August 2022. Currently, he is responsible for the overall operation strategic planning and business operation of our Group.

Dr. Yang has over 25 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, the Star Market of SHSE: 688235) from July 2014 to December 2016. He led BeiGene, Ltd.'s clinical team in clinical development of its oncology pipeline, and led the development and management of over ten clinical trials worldwide, including the first anti-PD-1 mAb originated in China, BTK inhibitors and PARP inhibitors.

Prior to joining BeiGene, Ltd., Dr. Yang served as a Medical Director at Covance Inc. from September 2011 to July 2014. He served as Senior Chief Scientist for tumor biomarkers in Pfizer Inc., and served as a Research Scientist in the 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 50 publications and the inventor of nine patents.

Dr. Yang received a bachelor's degree in medicine from Xianning Branch of Hubei Medical College (湖北醫學院咸寧分院), (currently known as Hubei Institute of Science and Technology (湖北科技學院)) 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 1989. He then received his Ph.D. training in 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 from 1995 to 1998.

## Non-executive Directors

**Dr. Wei Li (李偉), Ph.D.**, aged 51, is our Chairman of Board. He has been our Director since December 2015 and was re-designated as a non-executive Director on October 29, 2018, and was re-elected as a non-executive Director on June 21, 2023. Dr. Li took up the role of Chairman and the chairman of the Nomination Committee on May 31, 2022. Dr. Wei Li is also a member of the Compensation Committee.

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 and re-designated as a non-executive director since July 2021.

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 master's degree in business administration ("**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. Kenneth Walton Hitchner III**, aged 63, was appointed as our non-executive Director with effect from December 10, 2021 and was re-elected as a non-executive Director on June 30, 2022. Mr. Hitchner is a member of the Investment Committee.

Mr. Hitchner has more than 30 years of experience in corporate finance. He had served as the Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. in Asia Pacific Ex-Japan before his retirement in 2019. He was also a member of Goldman Sachs' Management Committee and co-chaired its Asia Pacific Management Committee.

Mr. Hitchner has served as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ (stock code: PAQC), from January 2021 to October 2022. He ceased to serve as a senior advisor to a leading global life sciences investor Valiance Asset Management in December 2022. During the period from 2013 to 2017, Mr. Hitchner had served as President of Goldman Sachs in Asia Pacific Ex-Japan. Prior to relocating to Hong Kong, he was global head of Goldman Sachs' Healthcare Banking Group and global co-head of its Technology, Media and Telecom Group. He was named managing director in 2000 and partner in 2002. He became head of the global medical device banking practice in 1998 and head of the global pharmaceutical banking practice in 2001. He began his career with Goldman Sachs' Corporate Finance Department in 1991.

Mr. Hitchner has been serving as an independent non-executive director of WuXi Biologics (Cayman) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2269), since June 2020. Mr. Hitchner has been serving as a director of the alternative investment management firm Elements Advisors SPV since May 2020. He has joined Global Advisory Board of the global early-stage venture capitalist Antler since January 2021. He has also been serving as a senior advisor of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359) ("**WuXi AppTec**"), since February 2020. Mr. Hitchner has also been serving as the chairman of the board of HH&L Acquisition Co., a company listed on the New York Stock Exchange (stock code: HHLA), since February 11, 2021. Mr. Hitchner has also been serving as the chairman of the board of two UK private healthcare companies, Cydar Medical and Sphere Fluidics, since February 2023 and May 2023, respectively.

Mr. Hitchner obtained a bachelor's degree in arts from the University of Colorado in 1982 and an MBA as a merit fellow from Columbia University Business School in 1992.

**Mr. Xianghong Lin (林向紅)**, aged 53, was appointed as our non-executive Director with effect from November 30, 2020, and was re-elected as a non-executive Director on June 21, 2023.

Mr. Lin has been the chairman of the board of directors and a member of the investment committee of Suzhou Equity Investment Fund Management Co. Ltd. (蘇州股權投資基金管理有限公司) since December 2017; the chairman of the board of directors and a member of the investment committee of Kaiyuan Guochuang Capital Management Co., Ltd. (開元國創資本管理有限公司) since March 2017; and the chief executive officer of Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) since April 2016. Mr. Lin was the president of Suzhou Oriza Holdings Corporation (蘇州元禾控股股份有限公司) from October 2015 to March 2016 and the chairman of the board of directors and the president of Suzhou Oriza Holdings Ltd. (蘇州元禾控股有限公司) from September 2007 to October 2015. Prior to that, he served as the chairman of the board of directors and the president of China-Singapore Suzhou Industrial Park Ventures Co., Ltd. (中新蘇州工業園區創業投資有限公司) from November 2001 to September 2007. From April 2000 to November 2001, he served as various positions of China-Singapore Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發有限公司), including the deputy general manager of the finance department and the general manager of the investment department.

Mr. Lin has been a non-executive director of Lepu Biopharm Co., Ltd., a company listed on the Stock Exchange (stock code: 2157) since April 2020. Mr. Lin has been a member of the venture capital fund professional committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會) since June 2015, a member of the first session of Science and Technology Innovation Advisory Committee (科技創新諮詢委員會) of the Shanghai Stock Exchange since April 2019, a member of the investment decision committee of the China Integrated Circuit Industry Investment Fund (國家集成電路產業投資基金) since 2014, and a director of the Xi'an Jiaotong University Education Foundation (西安交通大學教育基金會) since 2011.

Mr. Lin obtained bachelor's degree in auditing from the Xi'an Jiaotong University in July 1992, a master degree in agricultural economic management from the University of Suzhou in June 1999 and a doctorate degree in management science and engineering from Xi'an Jiaotong University in June 2009.

**Mr. Edward Hu (胡正國)**, aged 60, was appointed as our non-executive Director on July 9, 2021 and was re-elected as a non-executive Director on June 30, 2022. He is a member of the Strategic Committee and the chairman of the Investment Committee.

Mr. Hu is the vice chairman, the global chief investment officer and an executive director of WuXi AppTec. Mr. Hu is primarily responsible for the overall business and management of WuXi AppTec. Mr. Hu joined WuXi AppTec in August 2007 and was appointed as an executive director in March 2017. Mr. Hu served as a co-chief executive officer of WuXi AppTec from August 2018 to May 2020. He served as the chief financial officer from March 2016 to January 2019. He was appointed as a non-executive director by CANbridge Pharmaceuticals Inc., a company listed on the Main Board of the Stock Exchange (stock code: 1228) on July 5, 2022.

- From July 2022 to February 2023, he served as a director of Ambrx Biopharma Inc., a company listed on NASDAQ (stock code: AMAM).

- From February 2014 to June 2021, he served as a non-executive director of WuXi Biologics (Cayman) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2269) and was primarily responsible for providing guidance on the business strategy and financial management.

- From May 2018 to March 2021, he served as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE).

- From August 2007 to December 2015, he served as the chief financial officer and chief operating officer of WuXi PharmaTech (Cayman) Inc., a company previously listed on the New York Stock Exchange and was responsible for the financial and operational management.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) and primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學) in the PRC in July 1983. He also obtained a master's degree in chemistry and a master's degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

### Independent Non-executive Directors

**Dr. Paul Herbert Chew, M.D.**, aged 71, has been an INED since February 14, 2019, and was re-elected as an INED on June 21, 2023. Dr. Chew is a member of the Audit Committee, the Compensation Committee, the Nomination Committee and the Strategy Committee.

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 69, has been an INED since February 14, 2019, and was re-elected as an INED on June 30, 2022. Mr. Wu is the chairman of the Compensation Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Wu has been appointed as an independent non-executive director of Hui Xian Real Estate Investment Trust (匯賢產業信託) (stock code: 87001) since November 2022. Since March 2019, Mr. Wu has been the chairman and a non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), a company listed on the Stock Exchange (stock code: 1406) on February 18, 2022. Mr. Wu has been an independent non-executive director of Sing Tao News Corporation Limited (星島新聞集團有限公司), a company listed on the Stock Exchange (stock code: 1105) since June 2021. He has been an independent non-executive director 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 and chairman of the board of directors from August 2018 to April 2021. 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 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 July 2019. 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: 1288), and Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270), from January 2009 to June 2015 and from August 2012 to June 2022, respectively. 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 since January 2016
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2022
- 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) since December 2017

**Mr. Hongbin Sun (孫洪斌)**, aged 47, has been an INED since February 14, 2019, and was re-elected as an INED on June 21, 2023. Mr. Sun is the chairman of the Audit Committee and a member of the Nomination Committee and the Investment Committee.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He has been 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 an independent non-executive director of Abbisko Cayman Limited (和譽開曼有限責任公司), a company listed on the Stock Exchange (stock code: 2256), since September 2021. 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. Mr. Sun was appointed as a director of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2252, "**MedBot**") in April 2020, and re-designated as a non-executive director from June 2021. He has also served as chairman of the board of MedBot. 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. Jianxin Yang (楊建新), M.D., Ph.D.**, aged 59, is our Chief Executive Officer, executive Director, chairman of the Strategy Committee and an authorized representative of the Company and was re-elected as an executive Director on June 21, 2023. Dr. Yang was our senior vice president and Chief Medical Officer from December 2016 to August 2022. He was appointed as our CEO on August 25, 2022. For further details, please refer to "Directors – Executive Director" in this section.

**Dr. Ngai Chiu Archie Tse (謝毅釗), M.D., Ph.D.**, aged 56, joined us in December 2018, and currently is our senior vice president and chief scientific officer. 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 21 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. Josh Zhou (周遊), MD.**, aged 42, joined us in April 2022 and currently is our Greater China General Manager and Head of Commercial. In his role, he has the overall responsibilities for commercial functions including marketing, sales, post-launch medical affairs, market access, commercial and supply chain management, and business excellence. Dr. Zhou has more than 17 years of working experience in China's pharmaceutical industry at multinational corporations and global strategy consulting firms. He is a seasoned leader with extensive experience in oncology and rare diseases. Prior to joining us, Dr. Zhou worked as Chief Marketing Officer at Sanofi Pasteur (China), led a 4-pillar-consisted team to successfully deliver multiple innovative signature programs.

From 2013 to 2021, Dr. Zhou worked at Novartis Oncology (China) and served successively as Head of Rare Disease Franchise and BU Head of Oncology Established Brands. He was in charge of several hundreds of millions of US dollars in business, successfully drove the growth of rare disease brands through precision diagnostics, market education and partnerships in rare diseases eco-system, and introduced innovative business models to ensure sustained growth of mature brands.

From 2011 to 2013, Dr. Zhou worked as Director of Hospital Portfolio Management and then Senior Analyst at China Resources Company. From 2007 to 2011, he worked at McKinsey & Company as a core member of Pharma-Healthcare Practice, and the clients he served included leading pharmaceuticals, medical device manufacturers, health insurance companies, and distributors in China or Europe.

Dr. Zhou started his career as a physician at Peking Union Medical College Hospital, and he obtained his medical doctor degree from Peking Union Medical College.

**Mr. Michael J. Choi, MBA**, aged 48, has been our Chief Business Officer since May 2021. In this role, he is responsible for business development, alliance management and corporate strategy.

Mr. Choi is an accomplished business executive with over 25 years of experience in the life science industry. Prior to joining us Mr. Choi was VP, Head of Business Development at Sun Pharma Advanced Research Corporation (SPARC) from September 2019 to April 2021. In this role, he led business development, commercial strategy and investor relations and oversaw the strategy and operations of SPARC as a member of the Executive Leadership Team. From March 2011 to July 2019, Mr. Choi served at Pfizer, Inc. in various business development roles including most recently as Business Alliance Lead for China, Japan, Asia-Pacific, Latin-America and Canada at Pfizer Essential Health. While at Pfizer, Mr. Choi completed over 40 transactions across 6 continents. From April 2009 to March 2011, Mr. Choi served as the Strategy Leader for the Molecular and Cell Biology business unit at Life Technologies (now Thermo Fisher). Mr. Choi started his career as a Research Associate at the Columbia University College of Physicians and Surgeons before starting his business career as a strategy focused Management Consultant at various firms such as PricewaterhouseCoopers – Management Consulting Services, Envision Consulting Group (now IQVIA), and Frankel Group (now Oliver Wyman).

Mr. Choi obtained his MBA in Finance and Economics from Columbia Business School in New York City in May 2004 and Bachelor of Arts in History with a pre-medical concentration from Columbia College in New York City in May 1996.

**Ms. Yinghua Zhang (張英華)**, aged 44, joined us in August 2016. She currently is our senior vice president and head of operations. In her role, she oversees the development and implementation of our talent management and strategic workforce planning. She also provides oversight for legal & compliance, government and administration affairs, and the project management office. Upon joining CStone, she worked as the role of HR and Administration Lead, establishing this department from the ground up and progressively extending her management responsibilities to encompass more enabling functions.

Ms. Zhang has more than 20 years' working experience in the life science industry. Prior to joining us, Ms. Zhang was the HR lead at Simcere-MSD (Shanghai) Pharmaceuticals Co., Ltd. She was actively involved in the initial planning and establishment of a joint venture company, and she was responsible for orchestrating the foundational organizational framework and overseeing personnel recruitment during the nascent stages of the company's inception. From December 2002 to August 2011, Ms. Zhang worked at the various subsidiaries of Simcere Pharmaceutical (a company listed on the Stock Exchange (stock code: 2096) and her last position was the HR head of the Shanghai subsidiary. From July 2000 to November 2002, she was the administration assistant at Jiangsu Scottwilson Engineering Consulting Co., Ltd.

Ms. Zhang obtained her master's degree in applied psychology from Nankai University and bachelor's degree in business management from Inner Mongolia University of Finance and Economics.

**Dr. Qingmei Shi (史青梅), M.D., Ph.D.**, aged 47, joined our company in May 2019, and currently is our senior vice president and head of clinical development. In her current role, Dr. Shi oversees the clinical development of our late-stage assets until NDA approval. Additionally, she leads the medical/science, pharmacovigilance, regulatory affairs, and biometrics functions to support progression of clinical development.

With over 20 years of experience in clinic and the pharmaceutical industry, Dr. Shi brings extensive expertise in oncology and hematology therapeutic areas. Prior to joining our company, she served as a senior medical director at Covance Pharmaceutical Research and Development (Shanghai) Co., Ltd from 2018 to 2019, where she was the lead physician in charge of multiple global and regional oncology and haematology studies.

From January 2007 to January 2018, Dr. Shi worked as a medical director at the Singapore and China offices of PAREXEL International China Pte. Ltd., where she led the Asia Pacific medical and pharmacovigilance functions and supported drug development for both global and China-pharmaceutical companies.

Dr. Shi obtained a Ph.D. in microbiology from the National University of Singapore in 2006. She obtained her medical doctor degree and a master of science in otolaryngology from Shan Dong Medical University in 1998 and 2001, respectively.

**Mr. Jun Cheng (程君)**, aged 43, joined us in March 2022 and currently is our vice president of finance. In his role, he has the overall responsibilities for financial functions including finance, information technology, clinical and general procurement. Mr. Cheng has more than 20 years' experience across all finance functions with exposure to both biotech and MNCs. He is a seasoned leader with extensive cross-functional experience and an outstanding track record with the highest standard of professionalism and integrity.

Prior to joining us, Mr. Cheng worked as VP Finance & Control – Innovation Platform for over 8 years at HUTCHMED (China) Limited, a company listed on the Nasdaq Global Select Market, the Stock Exchange and the London Stock Exchange's AIM market (Nasdaq/AIM stock code: HCM; the Stock Exchange stock code: 13). He drove high performance in meeting financial objectives utilizing his deep understanding of business drivers and proactively addressing risks and opportunities. He also led the team to support the NASDAQ and HK IPO process and establishing IT infrastructure. From 2009 to 2013, Mr. Cheng worked in SIMPLOT AUSTRALIA as a Divisional Finance Manager, where he participated in the acquisition of frozen meals business from NESTLE Australia as financial lead, then set up a new Chilled & Emerging business division. Jun started his career at Nestle China and worked there for 8 years across a number of finance and control functions in the Dongguan coffee factory and Beijing Head Office.

Mr. Cheng obtained a bachelor's degree from South China Agricultural University and is a member of CPA Australia.

**Ms. Weicong Ni (倪維聰)**, aged 32, joined us in August 2018 and is our vice president, secretary of the Board, head of capital markets and business planning, and one of the joint company secretaries. In her role, she has overall responsibilities for investor relations, financing, strategic planning, and board related matters. Prior to this role, Ms. Ni was our chief of staff, who reported directly to our chief executive officer and advised on operational and strategic matters. Ms. Ni has 10 years of experience in capital markets with exposure in both sell side and buy side in public and private markets.

Prior to joining us, from July 2013 to May 2016, Ms. Ni worked at Deutsche Bank Hong Kong branch as an investment banker advising public and private companies in Asia on equity and debt financing, investments, and merger and acquisition, across a few industries from healthcare to internet and technology. During that time, she has successfully completed initial public offerings and multiple debt programs of various structures. Ms. Ni has also gained experience as a public market investor in the United States in 2017.

Ms. Ni received her bachelor's degree in finance and economics with a minor in mathematics from Hong Kong University of Science and Technology in 2013 and her MBA degree from Harvard Business School in 2018. Ms. Ni is a Certified Financial Analyst charterholder.

**Ms. Ye Zhao (趙燁)**, aged 46, joined us in September 2020, and currently is our vice president and head of communications. In her role, she is responsible for overseeing external and internal communications, corporate branding, corporate social responsibilities initiatives and key stakeholder engagement.

Ms. Zhao has over 20 years of experience in media and corporate branding in China and the United States. As a seasoned public relations professional, she has gained extensive experience in corporate communication in relation to pharmaceuticals, biotech, and medical devices from working at local companies and multinational corporations in China. Prior to joining us, Ms. Zhao worked as the director of public relations & government affairs, Asia Pacific at PerkinElmer Inc. from June 2019 to September 2020, and the public relations leader, Greater China at PerkinElmer Healthcare Diagnostics (Shanghai) Co. Ltd from May 2017 to June 2019. From March 2015 to May 2017, she worked as the director of public relations at Cellular Biomedicine Group Ltd. From January 2013 to October 2014, she worked as the associate director of operations department and nutraceutical department at Sinotherapeutics Inc.

From November 2008 to December 2012, she worked as a senior manager of brand & public relations department at Fosun Pharmaceutical (Group) Co. Ltd. From June 2005 to June 2008, she worked as a news reporter of *World Journal*. From July 2002 to July 2003, she worked as a news assistant at Newsweek, Beijing Bureau, and as the news assistant at the Washington Post, Beijing Bureau from July 2001 to July 2002.

Ms. Zhao obtained her bachelor's degree in international journalism from Communication University of China in 2001 and a master of journalism in Northeastern University in the United States in 2005.

Other than the working relationships in the Company, there was no other relationship between any of the Directors or senior management of the Company in respect of finance, business and family or in other material aspects.

## CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors since the publication of the Company's annual report for the year ended December 31, 2022 up to the date of this report pursuant to Rule 13.51B(1) of the Listing Rules.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards. During the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

We will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

We have adopted our own code of conduct regarding Directors' securities transactions, namely the Securities Transactions Code, which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Securities Transactions Code during the Reporting Period. The Company's employees, who are likely to be in possession of our unpublished inside information, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as of the date of this report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

## MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report and as at the date of this report, there were no material events after the Reporting Period.

## USE OF NET PROCEEDS

On September 30, 2020 (before trading hours), the Company entered into a share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million), which will be used for the funding of the development activities under the collaboration agreement. All the conditions of the subscription have been fulfilled and the closing of the subscription took place on October 9, 2020. The use of these proceeds is in line with the planned use and there is no significant change or delay.

The table below sets out the planned applications of the proceeds and actual usage up to June 30, 2023:

| | % of use of proceeds | Proceeds from the subscription *(RMB million)* | Unutilized net proceeds as of December 31, 2022 *(RMB million)* | Actual usage during the Reporting Period *(RMB million)* | Unutilized net proceeds as of June 30, 2023 *(RMB million)* |
|---|---|---|---|---|---|
| Fund the development activities under the collaboration agreement | 100.0% | 1,355.9 | 534.9 | 125.6 | 409.3 |

Note: The unutilized net proceeds are planned to be put into use by December 31, 2023.

On February 8, 2023 (before trading hours), the Company entered into a placing agreement with the Placing Agent, pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 84,800,000 ordinary Shares to not less than six placees at a price of HK$4.633 per placing Share. The net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, were approximately HK$389.07 million (equivalent to approximately RMB338.12 million). The Company intends to use the net proceeds for purposes as stated below. All the conditions of the placing were fulfilled and the closing of the placing took place on February 15, 2023. The use of these proceeds is in line with the planned use and there is no significant change or delay.

The table below sets out the planned applications of the proceeds and actual usage up to June 30, 2023:

| | % of use of proceeds | Proceeds from the placing *(RMB million)* | Actual usage during the Reporting Period *(RMB million)* | Unutilized net proceeds as of June 30, 2023 *(RMB million)* |
|---|---|---|---|---|
| Commercialization and indication expansion of marketed products such as pralsetinib, avapritinib, and ivosidenib, as well as technology transfer to reduce drug supply cost and improve profitability | 20% | 67.62 | 58.92 | 8.70 |
| Development of pipeline products including but not limited to CS5001 (a potentially best-in-class ROR1 ADC) | 50% | 169.06 | 92.95 | 76.11 |
| Business development activities to enrich the company's pipeline and fully utilize the company's proven clinical capabilities | 20% | 67.62 | 13.77 | 53.85 |
| General corporate purposes | 10% | 33.82 | 5.79 | 28.03 |
| **Total** | 100% | 338.12 | 171.43 | 166.69 |

Note: The unutilized net proceeds are planned to be put into use by December 31, 2024.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Hongbin Sun (Chairman), Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu.

## REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have conducted a review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board. The Audit Committee has jointly reviewed with the management of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2023) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: nil) to the Shareholders.

## DIRECTORS' AND CHIEF EXECUTIVE'S 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, 2023, 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***

| Name of Director or chief executive | Nature of interest | Number and class of securities | Approximate percentage of interest in our Company[1] |
|---|---|---|---|
| Dr. Jianxin Yang, CEO and executive Director | Beneficial Owner | 45,977,256 Shares[2] | 3.58% |
| Mr. Kenneth Walton Hitchner III, non-executive Director | Beneficial Owner | 393,981 Shares[3] | 0.03% |

Notes:

(1) The calculation is based on the total number of 1,283,887,016 Shares in issue as of June 30, 2023.

(2) Includes (1) 10,087,256 Shares beneficially held by Dr. Yang; (2) Dr. Yang's entitlement to receive up to 3,000,000 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 32,340,000 Shares granted to him under the Post-IPO ESOP, subject to the vesting and other conditions of those options; and (4) Dr. Yang's entitlement to restricted share units equivalent to 550,000 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

(3) Includes (1) 345,995 Shares beneficially held by Mr. Kenneth Walton Hitchner III; (2) Mr. Kenneth Walton Hitchner III's entitlement to restricted share units equivalent to 47,986 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

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, 2023.

## 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, 2023, 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 as of June 30, 2023[1] |
|---|---|---|---|
| WuXi Healthcare Ventures II, L.P.[2] | Beneficial interest | 293,381,444 | 22.85% |
| WuXi Healthcare Management, LLC[2] | Interest in controlled corporation | 293,381,444 | 22.85% |
| Graceful Beauty Limited[3] | Beneficial interest | 142,560,448 | 11.10% |
| Boyu Capital Fund II, L.P.[3] | Interest in controlled corporation | 142,560,448 | 11.10% |
| Boyu Capital General Partner II L.P.[3] | Interest in controlled corporation | 142,560,448 | 11.10% |
| Boyu Capital General Partner II Ltd.[3] | Interest in controlled corporation | 142,560,448 | 11.10% |
| Boyu Capital Holdings Limited[3] | Interest in controlled corporation | 142,560,448 | 11.10% |
| Pfizer Corporation Hong Kong Limited[4] | Beneficial interest | 115,928,803 | 9.03% |
| Pfizer Inc.[4] | Interest in controlled corporation | 115,928,803 | 9.03% |
| 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)) ("**Zhengze Yuanshi**")[5] | Beneficial interest | 82,531,144 | 6.43% |
| 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))[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| 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)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| 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)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |
| Fay Jianjiang (費建江)[5] | Interest in controlled corporation | 82,531,144 | 6.43% |

Notes:

(1) The calculation is based on the total number of 1,283,887,016 Shares in issue as of June 30, 2023.

(2) As of June 30, 2023, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 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, 2023, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 142,560,448 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, 2023, Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, directly held 115,928,803 Shares. For the purpose of the SFO, Pfizer Inc., a Delaware-incorporated company listed on the New York Stock Exchange and indirectly holding 100% of the shares in Pfizer Corporation Hong Kong Limited is deemed to have an interest in the Shares held by Pfizer Corporation Hong Kong Limited.

(5) As of June 30, 2023, Zhengze Yuanshi directly held 82,531,144 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 60% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fay Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fay Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2023, 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 in Shares and Underlying Shares of the Company and 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 options and RSUs will be granted under the Pre-IPO Incentivization Plan after completion of the Listing.

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

| Name of Participant or Category of Participant | Date of grant | Number of options held at January 1, 2023 | Number of options granted during the reporting period | Number of options lapsed and cancelled | Number of options exercised | Number of options held at June 30, 2023 | Exercise Price | Weighted average closing price of the shares immediately before the dates on which the options were exercised | Fair value of options at the date of grant |
|---|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | | |
| Dr. Jianxin Yang, CEO and executive Director | 2016-12-07 | 3,000,000 | – | – | – | 3,000,000 | HKD0.2-HKD0.39 | – | US$0.33-US$0.35 |
| **Other employee participants** | 2016/7/11 - 2019/2/25 | 2,685,139 | – | 16,672 | 343,004 | 2,325,463 | HKD0.20-HKD4.65 | HKD4.66 | US$0.24-US$1.39 |
| **Total** | | 5,685,139 | – | 16,672 | 343,004 | 5,325,463 | | | |

Notes:

(1) The exercise period of all options shall be 10 years from the vesting commencement date.

(2) The vesting schedule of these options shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

(3) During the Reporting Period, no option was cancelled.

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

| Name of Participant or Category of Participant | Date of grant | Number of RSUs held at January 1, 2023 | Number of RSUs granted during the reporting period | Number of RSUs lapsed and cancelled | Number of RSUs vested | Number of RSUs held at June 30, 2023 | Weighted average closing price of the shares immediately before the dates on which the RSUs were vested | Fair value of RSUs at the date of grant |
|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | |
| Dr. Jianxin Yang, CEO and executive Director | 2019-03-28 | 67,470 | – | – | 67,470 | – | HKD3.99 | US$1.28 |
| **Other employee participants** | 2018-12-06 | 125,000 | – | – | 125,000 | – | HKD4.85 | US$1.48 |
| **Total** | | 192,470 | – | – | 192,470 | – | | |

Notes:

(1) The vesting schedule of these RSUs shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

(2) During the Reporting Period, no RSU was cancelled.

(3) The purchase price of all RSUs mentioned in the table above is nil.

## 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, and as amended and restated on March 7, 2023.

The number of shares that may be issued in respect of options granted under the Post-IPO ESOP during the Reporting Period divided by the weighted average number of shares in issue was 2.06%. The total number of options available for grant under the Post-IPO ESOP as of January 1, 2023 and June 30, 2023 was 10,693,496 and 134,780,672, respectively. The total number of options available for grant under the Service Provider Sublimit (as defined in the sub-section headed "Summary of the Share Incentivization Schemes" of this section below) as of March 7, 2023[Note] and June 30, 2023 was 12,838,440 and 12,745,640, respectively.

Note:

The resolution of adoption of the Service Provider Sublimit was approved by shareholders of the Company at the extraordinary general meeting of the Company held on March 7, 2023 and the Company adopted the Service Provider Sublimit on the same day.

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

| Name of Participant or Category of Participant | Date of grant | Closing price of shares immediately before the date on which the options were granted | Number of options held at January 1, 2023 | Number of options granted during the reporting period | Number of options lapsed and cancelled | Number of options exercised | Number of options held at June 30, 2023 | Exercise Price | Weighted average closing price of the shares immediately before the dates on which the options were exercised | Fair value of options at the date of grant |
|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | | | |
| Dr. Jianxin Yang, CEO and executive Director[4][5] | 2020-04-01 | HKD8.70 | 1,400,000 | – | 1,400,000 | – | – | HKD8.850 | – | HKD4.58 |
| | 2021-04-01 | HKD9.25 | 4,800,000 | – | 4,800,000 | – | – | HKD9.850 | – | HKD6.32 |
| | 2022-08-30 | HKD4.77 | 28,000,000 | – | – | – | 28,000,000 | HKD4.660 | – | HKD1.49 - HKD3.12 |
| | 2023-01-06 | HKD4.92 | – | 4,340,000 | – | – | 4,340,000 | HKD4.900 | – | HKD3.26 |
| **Other employee participants** | 2019-04-01 | HKD15.88 | 440,370 | – | 357,848 | – | 82,522 | HKD15.860 | – | HKD7.19 |
| | 2019-06-10 | HKD12.12 | 1,470,408 | – | 1,470,408 | – | – | HKD12.600 | – | HKD5.74 - HKD5.89 |
| | 2019-08-15 | HKD10.32 | 23,001,776 | – | 23,001,776 | – | – | HKD10.690 | – | HKD5.49 |
| | 2019-10-11 | HKD12.04 | 481,341 | – | 450,841 | – | 30,500 | HKD12.200 | – | HKD6.90 - HKD7.02 |
| | 2019-12-09 | HKD10.50 | 120,500 | – | 120,500 | – | – | HKD10.790 | – | HKD5.96 - HKD6.06 |
| | 2020-04-01 | HKD8.70 | 1,526,494 | – | 540,936 | – | 985,558 | HKD8.850 | – | HKD4.58 - HKD4.68 |
| | 2020-07-13 | HKD11.10 | 607,500 | – | 600,000 | – | 7,500 | HKD11.048 | – | HKD5.60 |
| | 2020-11-30 | HKD9.99 | 1,276,750 | – | 1,105,132 | – | 171,618 | HKD9.960 | – | HKD4.83 - HKD5.02 |
| | 2021-04-01 | HKD9.25 | 4,129,878 | – | 2,148,064 | – | 1,981,814 | HKD9.850 | – | HKD5.26 - HKD6.32 |
| | 2021-07-02 | HKD17.10 | 3,908,750 | – | 3,908,750 | – | – | HKD17.308 | – | HKD8.28 - HKD9.14 |
| | 2021-12-10 | HKD9.75 | 2,908,580 | – | 2,499,831 | – | 408,749 | HKD9.588 | – | HKD4.77 - HKD5.15 |
| | 2022-06-06 | HKD5.10 | 7,504,376 | – | 978,185 | – | 6,526,191 | HKD5.274 | – | HKD2.63 - HKD2.93 |
| | 2022-07-21 | HKD4.90 | 4,659,367 | – | 768,184 | – | 3,891,183 | HKD5.002 | – | HKD2.30 - HKD2.39 |
| | 2023-01-06 | HKD4.92 | – | 7,116,419 | 424,889 | – | 6,691,530 | HKD4.900 | – | HKD2.63 - HKD2.83 |
| | 2023-03-23[8] | HKD3.67 | – | 14,238,280 | 1,186,840 | – | 13,051,440 | HKD3.768 | – | HKD0.75 - HKD2.01 |
| **Service Providers**[7][8] | 2023-03-23 | HKD3.67 | – | 82,840 | 8,000 | – | 74,840 | HKD3.768 | – | HKD1.86 |
| **Total** | | | 86,236,090 | 25,777,539 | 45,770,184 | – | 66,243,445 | | | |

Notes:

(1) The exercise period of all options shall be 10 years from the vesting commencement date.

(2) All options granted are subject to any of the individual performance result and other requirements as set out in the grant letters to be entered into between each of the grantees and the Company.

(3) The vesting schedules of the grant of options shall vest in accordance with either of the followings:

- 25% of the shares shall vest on the first anniversary of the date of grant and the remaining shares shall vest with equal monthly installments over the thirty-six months immediately following the first anniversary of the date of grant; or
- 25% shall vest on each of the first to fourth anniversary of the date of grant;
- 25% shall vest on each of the first to fourth anniversary of the date of satisfaction of the respective performance target milestone.

(4) The vesting schedules of the grant of 28,000,000 share options to Dr. Jianxin Yang shall be as follows:

- 14,000,000 Options granted to Dr. Yang shall vest as follows:

  25% shall vest on the first anniversary of August 25, 2022 (rounding to the nearest whole Option);

  25% shall vest on the second anniversary of August 25, 2022 (rounding to the nearest whole Option);

  25% shall vest on the third anniversary of August 25, 2022 (rounding to the nearest whole Option); and

  25% shall vest on the fourth anniversary of August 25, 2022 (rounding to the nearest whole Option).

- The remaining 14,000,000 Options granted to Dr. Yang are divided into various batches of Options. Upon satisfaction of the performance target milestone specified for each batch of Options, the respective batch of Options shall vest as follows:

  25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);

  25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);

  25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option); and

  25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option).

(5) 4,340,000 share options granted to Dr. Jianxin Yang shall vest as follows:

25% shall vest on the first anniversary of the date of grant (rounding to the nearest whole option); and

75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole option) immediately following the first anniversary of the date of grant.

(6) During the Reporting Period, 16,164,460 options were cancelled.

(7) According to the relevant scheme rules, Service Providers means any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the research & development, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

(8) The vesting commencement date of the 12,721,120 options out of the total of 14,321,120 options granted to other employee participants and service providers on March 23, 2023 (the "March 2023 Grant") was April 1, 2023 (the "Vesting Commencement Date"). No performance targets were attached to the 12,721,120 options granted. The remaining 1,600,000 options out of the March 2023 Grant to one employee of the Company shall commence vesting upon satisfaction of the performance target milestone (including individual performance based on periodic performance assessment and annual review results by the Company) as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option).

(9) 480,000 options granted under the March 2023 Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole option);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole option);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole option); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole option).

12,241,120 options granted under the March 2023 Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole option); and
- 75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole option) immediately following the first anniversary of the Vesting Commencement Date.

1,600,000 options granted under the March 2023 Grant shall vest as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option).

## 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, January 7, 2020 and March 7, 2023, as amended from time to time.

The number of shares that may be issued in respect of RSUs granted under the Post-IPO RSU Scheme during the Reporting Period divided by the weighted average number of shares in issue was 0.27%. The total number of RSUs available for grant under the Post-IPO RSU Scheme as of January 1, 2023 and June 30, 2023 was 13,048,447 and 134,780,672, respectively. The total number of RSUs available for grant under the Service Provider Sublimit (as defined in the sub-section headed "Summary of the Share Incentivization Schemes" of this section below) of the Post-IPO RSU Scheme as of March 7, 2023[6] and June 30, 2023 was 12,838,440 and 12,745,640, respectively.

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

| Name of Participant or Category of Participant | Date of grant | Closing price of shares immediately before the date on which the RSUs were granted | Number of RSUs held at January 1, 2023 | Number of RSUs granted during the reporting period | Number of RSUs lapsed and cancelled | Number of RSUs vested | Number of RSUs held at June 30, 2023 | Weighted average closing price of the shares immediately before the dates on which the RSUs were vested | Fair value of RSUs at the date of grant |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Dr. Jianxin Yang, CEO and executive Director | 2021-04-01 | HKD9.25 | 700,000 | – | – | 150,000 | 550,000 | HKD3.05 | HKD9.85 |
| Kenneth Walton Hitchner III | 2021-12-10 | HKD9.75 | 47,986 | – | – | – | 47,986 | – | HKD9.33 |
| **Other employee participants** | 2019-03-25 | HKD16.48 | 8,344 | – | 6,261 | 2,083 | – | HKD4.85 | HKD15.74 |
| | 2019-03-28 | HKD16.02 | 17,998 | – | – | 17,998 | – | HKD3.83 | HKD15.72 |
| | 2019-04-01 | HKD15.88 | 4,489 | – | 1,239 | 3,250 | – | HKD3.53 | HKD15.86 |
| | 2019-04-29 | HKD13.72 | 1,677 | – | – | 1,677 | – | HKD3.33 | HKD13.56 |
| | 2019-05-13 | HKD14.36 | 27,480 | – | – | 27,480 | – | HKD3.19 | HKD14.36 |
| | 2019-05-16 | HKD13.44 | 60,000 | – | – | 60,000 | – | HKD3.10 | HKD13.20 |
| | 2019-05-20 | HKD12.64 | 5,010 | – | – | 5,010 | – | HKD3.18 | HKD12.38 |
| | 2019-06-10 | HKD12.12 | – | – | – | – | – | – | HKD12.60 |
| | 2019-10-11 | HKD12.04 | 167,841 | – | 48,750 | 96,512 | 22,579 | HKD3.30 | HKD12.20 |
| | 2019-12-09 | HKD10.50 | 58,500 | – | – | – | 58,500 | – | HKD10.60 |
| | 2020-04-01 | HKD8.70 | 25,000 | – | 2,500 | 12,500 | 10,000 | HKD3.64 | HKD8.60 |
| | 2020-07-13 | HKD11.10 | 111,000 | – | – | 50,500 | 60,500 | HKD2.76 | HKD10.78 |
| | 2020-11-30 | HKD9.99 | 377,671 | – | 24,000 | 5,831 | 347,840 | HKD3.09 | HKD9.53 |
| | 2021-04-01 | HKD9.25 | 1,392,131 | – | 253,650 | 432,669 | 705,812 | HKD3.13 | HKD9.85 |
| | 2021-07-02 | HKD17.10 | 835,750 | – | 5,000 | 265,250 | 565,500 | HKD3.06 | HKD16.20 |
| | 2021-12-10 | HKD9.75 | 782,974 | – | 226,915 | – | 556,059 | – | HKD9.33 |
| | 2022-06-06 | HKD5.10 | 1,697,000 | – | 61,500 | 430,916 | 1,204,584 | HKD3.11 | HKD5.09 |
| | 2022-07-21 | HKD4.90 | 160,000 | – | – | 46,666 | 113,334 | HKD2.77 | HKD4.58 |
| | 2023-03-23 | HKD3.67 | – | 3,361,220 | 296,160 | – | 3,065,060 | – | HKD3.57 |
| **Service Providers**[3] | 2023-03-23 | HKD3.67 | – | 17,960 | – | – | 17,960 | – | HKD3.57 |
| **Total** | | | 6,480,851 | 3,379,180 | 925,975 | 1,608,342 | 7,325,714 | | |

Notes:

(1) The vesting schedules of the grant of RSUs shall vest in accordance with either of the followings:

- 25% of the shares shall vest on the first anniversary of the date of grant and the remaining shares shall vest with equal monthly installments over the thirty-six months immediately following the first anniversary of the date of grant; or
- 25% shall vest on each of the first to fourth anniversary of the date of grant;
- 25% shall vest on each of the first to fourth anniversary of the date of satisfaction of the respective performance target milestone.

(2) During the Reporting Period, no RSU was cancelled.

(3) According to the relevant scheme rules, Service Providers means any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the research & development, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

(4) The vesting commencement date of the 2,979,180 RSUs out of the total of 3,379,180 RSUs granted to other employee participants and service providers on March 23, 2023 (the "March 2023 RSU Grant") was April 1, 2023 (the "Vesting Commencement Date"). No performance targets were attached to the 2,979,180 RSUs granted.

The remaining 400,000 RSUs granted under the March 2023 RSU Grant to one employee amongst the other employee participants shall commence vesting upon certain performance target (including individual performance based on periodic performance assessment and annual review results by the Company) and other requirements as set out in the grant letter entered into between the employee and the Company have been met.

(5) 1,059,180 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU).

1,920,000 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU); and
- 75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole RSU) immediately following the first anniversary of the Vesting Commencement Date.

400,000 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU).

(6) The resolution of adoption of the Service Provider Sublimit was approved by shareholders of the Company at the extraordinary general meeting of the Company held on March 7, 2023 and the Company adopted the Service Provider Sublimit on the same day.

(7) The purchase price of all RSUs mentioned in the table above is nil.

For further details of the Share Incentivization Schemes, including the fair value of the options and RSUs granted under the Share Incentivization Schemes, please refer to note 18 to the 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:<br>• recognise the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company;<br>• encourage and retain such individuals for the continual operation and development of the Group;<br>• provide additional incentives for them to achieve performance goals;<br>• attract suitable personnel for further development of the Group; and<br>• 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. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, eligible participants include (i) employee participant: any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted awards under this plan as an inducement to enter into employment contracts with any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his or her employment; and (ii) service provider: any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity). | 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.In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, eligible participants include (i) employee participant: any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted awards under this scheme as an inducement to enter into employment contracts with any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his or her employment; and (ii) service provider: any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity). |

| Details | Pre-IPO Incentivization Plan | Post-IPO ESOP | Post-IPO RSU Scheme |
|---|---|---|---|
| 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. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, the Company shall not make any further grant of options which will result in the aggregate number of Shares underlying all grants of (i) new Shares or restricted share units or restricted shares of the Company; or (ii) options over new Shares made pursuant to this Plan and other share schemes adopted by the Company from time to time to exceed 128,384,401 Shares, representing 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of Awards which may be granted under this plan and grants made under other share schemes of the Company to service providers shall not exceed 12,838,440 Shares representing 1% of the total number of Shares in issue on the Amendment Date (the "**Service Provider Sublimit**"). | 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 2.96% of the issued share capital of the Company as at June 30, 2023) pursuant to a board meeting dated July 15, 2019. In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, the Company shall not make any further grant of restricted new share award which will result in the aggregate number of Shares underlying all grants of (i) new Shares of the Company; or (ii) options over new Shares made pursuant to this scheme and other share schemes adopted by the Company to exceed 128,384,401 Shares, representing 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of restricted new shares which may be granted under this scheme and grants made under other share schemes of the Company to Service Providers shall not exceed 12,838,440 Shares, representing 1% of the total number of Shares in issue on the Amendment Date (the "**Service Provider Sublimit**"). The maximum number of grant of restricted existing shares under this scheme is 5% of the total issued Shares of the Company as at the Amendment Date (excluding any restricted existing shares lapsed in accordance with term of this scheme). |

| 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. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, for any 12-month period up to and including the grant date, the aggregate number of Shares issued and to be issued in respect of all options granted to any eligible participant under this plan and any grants made under any other share scheme(s) of the Company (excluding any options or awards lapsed under any share scheme of the Company) shall not exceed 1% of the total number of the Shares in issue as at the grant date without Shareholders' approval. | In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, for any 12-month period up to and including the grant date, the aggregate number of Shares issued and to be issued in respect of all restricted new shares granted to any selected participant and all grants made under any other share scheme(s) of the Company (excluding any options and/or awards lapsed in accordance with the share schemes of the Company) shall not exceed 1% of the total number of the Shares in issue as at the grant date without Shareholders' approval. Where any grant of awards to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, would result in the total number of Shares issued and to be issued in respect of all awards or options granted and to be granted to such person in the 12-month period up to and including the date of such grant (excluding any awards or options lapsed in accordance with the terms of the share schemes of the Company), representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of awards must be approved by the Shareholders in general meeting. |
| 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.<br><br>In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, the option must be held by the grantee for at least 12 months before the option can be vested save for the exceptional circumstances prescribed in the plan. | 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.<br><br>Save for the circumstances prescribed in the scheme, the vesting period of the restricted new shares granted shall not be less than 12 months. |

| 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. There is no amount payable solely for application or acceptance of the option or awards. | | |
| 7. Exercise price | The subscription price shall be approved by the Board and shall be set out in the offer letter.<br><br>The exercise prices of the options granted between the adoption date and the Listing Date include US$0.1, US$0.2, US$0.57 and US$2.37 (without taking into account the effect of the capitalization 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 determined in accordance with the Fair Market Value of the Shares subject to the award, determined as of the date of grant.<br><br>"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, or if Shares are not so quoted or traded, the fair market value of a Share as determined by the Compensation Committee. | – |
| 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 remaining life of the plan is approximately three years and eight months as at the date of this report. | 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 remaining life of the plan is approximately five years and six months as at the date of this report. | 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. The remaining life of the plan is approximately five years and seven months as at the date of this report. |

# 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 56 to 78, which comprise the condensed consolidated statement of financial position at June 30, 2023 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 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of 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 International Standard on Review Engagements 2410 Review of *Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. 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 International 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 15, 2023

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

| | NOTES | For the six months ended June 30, 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **261,474** | 261,765 |
| Cost of revenue | | **(108,037)** | (92,723) |
| Gross profit | | **153,437** | 169,042 |
| Other income | 4 | **25,843** | 5,808 |
| Other gains and losses | 4 | **24,772** | 14,314 |
| Research and development expenses | | **(186,770)** | (266,627) |
| Selling and marketing expenses | | **(131,445)** | (146,352) |
| Administrative expenses | | **(89,189)** | (134,818) |
| Finance costs | | **(5,874)** | (2,936) |
| Loss for the period | 6 | **(209,226)** | (361,569) |
| Other comprehensive (expense) income: | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(840)** | 7 |
| Total comprehensive expense for the period | | **(210,066)** | (361,562) |
| **Loss per share** | 8 | | |
| – Basic (RMB) | | **(0.17)** | (0.31) |
| – Diluted (RMB) | | **(0.17)** | (0.31) |

# Condensed Consolidated Statement of Financial Position

At June 30, 2023

| | NOTES | June 30, 2023 RMB'000 (Unaudited) | December 31, 2022 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **130,169** | 138,379 |
| Right-of-use assets | 9 | **49,265** | 68,187 |
| Intangible assets | 9 | **217,474** | 159,699 |
| Financial assets measured at fair value through profit or loss ("FVTPL") | 12 | **3,613** | 3,482 |
| Other receivables | 11 | **25,018** | 21,763 |
| | | **425,539** | 391,510 |
| **Current assets** | | | |
| Account receivables | 10 | **185,867** | 77,133 |
| Deposits, prepayments and other receivables | 11 | **23,377** | 105,505 |
| Inventories | | **19,576** | 22,188 |
| Time deposits with original maturity over three months | 13 | **99,151** | 483,407 |
| Cash and cash equivalents | 13 | **906,224** | 558,684 |
| | | **1,234,195** | 1,246,917 |
| **Current liabilities** | | | |
| Account and other payables and accrued expenses | 14 | **723,986** | 869,366 |
| Refund liabilities | | **30,281** | 25,198 |
| Bank borrowings | 16 | **9,948** | 8,567 |
| Lease liabilities | | **31,888** | 36,351 |
| Deferred income | 15 | **7,000** | 7,000 |
| | | **803,103** | 946,482 |
| **Net current assets** | | **431,092** | 300,435 |
| **Total assets less current liabilities** | | **856,631** | 691,945 |

# Condensed Consolidated Statement of Financial Position

At June 30, 2023

| | NOTES | June 30, 2023 RMB'000 (Unaudited) | December 31, 2022 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Account payables | 14 | **75,181** | – |
| Bank borrowings | 16 | **163,322** | 218,986 |
| Deferred income | 15 | **–** | 1,247 |
| Lease liabilities | | **14,413** | 22,386 |
| | | **252,916** | 242,619 |
| **Net assets** | | **603,715** | 449,326 |
| **Capital and reserves** | | | |
| Share capital | 17 | **860** | 802 |
| Treasury shares held in the trusts | 17 | **(9)** | (2) |
| Reserves | | **602,864** | 448,526 |
| **Total equity** | | **603,715** | 449,326 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

| | Share capital *RMB'000* | Share Premium *RMB'000* | Other reserves *RMB'000* | Treasury shares held in the trust *RMB'000* | Share-based payment reserve *RMB'000* | Foreign currency translation reserve *RMB'000* | Accumulated losses *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| At January 1, 2023 (Audited) | **802** | **8,627,932** | **(92,738)** | **(2)** | **568,097** | **(2,272)** | **(8,652,493)** | **449,326** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **–** | **(209,226)** | **(209,226)** |
| Other comprehensive expense for the period | **–** | **–** | **–** | **–** | **–** | **(840)** | **–** | **(840)** |
| Total comprehensive expense for the period | **–** | **–** | **–** | **–** | **–** | **(840)** | **(209,226)** | **(210,066)** |
| Restricted stock units exercised under trusts (note 17) | **–** | **15,374** | **7** | **(7)** | **(15,374)** | **–** | **–** | **–** |
| Recognition of equity-settled share-based payment (note 18) | **–** | **–** | **–** | **–** | **26,188** | **–** | **–** | **26,188** |
| Exercise of share options (note 18) | **–** | **1,120** | **–** | **–** | **(974)** | **–** | **–** | **146** |
| Issue of ordinary shares (note 17) | **58** | **338,063** | **–** | **–** | **–** | **–** | **–** | **338,121** |
| At June 30, 2023 (Unaudited) | **860** | **8,982,489** | **(92,731)** | **(9)** | **577,937** | **(3,112)** | **(8,861,719)** | **603,715** |
| At January 1, 2022 (Audited) | 796 | 8,464,602 | (92,728) | (11) | 586,841 | (2,677) | (7,749,815) | 1,207,008 |
| Loss for the period | – | – | – | – | – | – | (361,569) | (361,569) |
| Other comprehensive income for the period | – | – | – | – | – | 7 | – | 7 |
| Total comprehensive expense for the period | – | – | – | – | – | 7 | (361,569) | (361,562) |
| Restricted stock units exercised under trusts (note 17) | – | 74,798 | (5) | 5 | (74,798) | – | – | – |
| Recognition of equity-settled share-based payment (note 18) | – | – | – | – | 104,486 | – | – | 104,486 |
| Exercise of share options (note 18) | 1 | 6,093 | – | – | (5,424) | – | – | 670 |
| At June 30, 2022 (Unaudited) | 797 | 8,545,493 | (92,733) | (6) | 611,105 | (2,670) | (8,111,384) | 950,602 |

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Loss for the period | **(209,226)** | (361,569) |
| Adjustments for non-cash or non-operating items | **26,926** | 112,962 |
| Operating cash flows before movements in working capital | **(182,300)** | (248,607) |
| Increase in account receivables | **(108,734)** | (46,429) |
| Decrease in inventories | **821** | 1,594 |
| Decrease (increase) in deposits, prepayments and other receivables | **78,873** | (62,712) |
| Increase in refund liabilities | **5,083** | – |
| Decrease in account and other payables and accrued expenses | **(134,570)** | (87,268) |
| NET CASH USED IN OPERATING ACTIVITIES | **(340,827)** | (443,422) |
| INVESTING ACTIVITIES | | |
| Interest received | **15,387** | 1,560 |
| Receipt of return from money market funds | **84** | 570 |
| Withdrawal of time deposits with maturity over three months | **446,680** | 510,056 |
| Placement of time deposits with maturity over three months | **(64,215)** | – |
| Payments of rental deposits | **–** | (6,965) |
| Purchase of property, plant and equipment | **–** | (217) |
| Purchase of intangible assets | **–** | (71,684) |
| Prepayment for acquisition of property, plant and equipment and intangible assets | **–** | (1,173) |
| NET CASH FROM INVESTING ACTIVITIES | **397,936** | 432,147 |
| FINANCING ACTIVITIES | | |
| Interest paid | **(5,874)** | (6,267) |
| Repayments of bank borrowings | **(154,283)** | (6,726) |
| New bank borrowings raised | **100,000** | 13,042 |
| Repayment of lease liabilities | **(12,436)** | (18,070) |
| Exercise of share options | **146** | 670 |
| Proceeds on issue of ordinary shares | **341,430** | – |
| Transaction costs attributable to issue of shares | **(3,309)** | – |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | **265,674** | (17,351) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **322,783** | (28,626) |
| Effect of foreign exchange rate changes | **24,757** | 17,360 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | **558,684** | 742,724 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | **906,224** | 731,458 |

## 1. GENERAL AND BASIS OF PREPARATION

CStone Pharmaceuticals (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 26, 2019.

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 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/change in accounting policies resulting from application of 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, 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2022.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 1 and IFRS practice statement 2 | Disclosure of Accounting Polices |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform-Pillar Two model Rules |

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

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### *2.1.1 Accounting policies*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* ("IAS12") requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

As a result of the application of amendments of IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the Group recognised deferred tax assets and deferred tax liabilities of RMB11,086,000 and RMB11,086,000, respectively, at the end of the immediately preceding financial year, i.e. December 31, 2022, which have been offset for the purpose of presentation in the condensed consolidated statement of financial position.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's consolidated financial statements for the year ending December 31, 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending December 31, 2023.

## 3. REVENUE AND SEGMENT INFORMATION

### Disaggregation of revenue from contracts with customers

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Types of goods or services** | | |
| Sales of pharmaceutical products | **246,855** | 161,400 |
| License fee income | **–** | 87,268 |
| Royalty income | **14,619** | 13,097 |
| | **261,474** | 261,765 |
| **Timing of revenue recognition** | | |
| A point in time | **261,474** | 261,765 |

### Segment Information

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products, sale of pharmaceutical products, and provide license of its intellectual property or commercialisation license to customers.

For the purpose of resource allocation and performance assessment, the Group's chief operating decision maker reviews the overall results and financial position of the Group prepared based on the Group's accounting policies.

### Geographical information

Substantially, majority of the Group's operation and non-current assets are located in the People's Republic of China (the "PRC"). The Group's revenue from external customers are substantially derived in the PRC based on the geographical location of the registered office of the customers during the reporting period.

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| The PRC (excluding Hong Kong and Taiwan) | **258,145** | 259,884 |
| Others | **3,329** | 1,881 |
| | **261,474** | 261,765 |

## 4. OTHER INCOME AND OTHER GAINS AND LOSSES

### Other income

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Bank and other interest income | **15,387** | 1,560 |
| Government grants income *(note)* | **5,825** | 4,058 |
| Income from sales of scrap materials | **4,574** | 187 |
| Others | **57** | 3 |
| | **25,843** | 5,808 |

*Note:* Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognised over the useful life of the respective assets and (ii) 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 recognised in profit or loss in the period in which they become receivable.

### Other gains and losses

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Net loss on fair value changes of financial assets measured at FVTPL | **–** | (27,310) |
| Net gain on fair value of money market funds | **84** | 570 |
| Net foreign exchange gains | **24,613** | 41,075 |
| Others | **75** | (21) |
| | **24,772** | 14,314 |

## 5. INCOME TAX EXPENSE

No income tax expense for the six months ended June 30, 2022 and 2023 as the Group had no assessable profits derived from the operating entities of the Group.

## 6. LOSS FOR THE PERIOD

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period has been arrived at after charging (crediting): | | |
| Depreciation of: | | |
| Property, plant and equipment | **2,450** | 3,295 |
| Right-of-use assets | **18,922** | 16,832 |
| Amortisation of intangible assets | **7,257** | 6,123 |
| Total depreciation and amortisation | **28,629** | 26,250 |
| Less: amounts capitalised in the cost of qualifying assets | **–** | (10,459) |
| Total depreciation and amortisation charged to profit or loss | **28,629** | 15,791 |
| Directors' emoluments | **40,803** | 40,851 |
| Other staff costs: | | |
| Salaries and other allowances | **110,453** | 135,440 |
| Performance related bonus | **12,097** | 39,460 |
| Retirement benefit scheme contributions | **23,878** | 28,395 |
| Share-based payment expenses | **(11,037)** | 66,508 |
| | **135,391** | 269,803 |
| | **176,194** | 310,654 |
| Impairment losses recognised on construction in progress (included in research and development expenses) | **5,775** | – |
| Write-down of inventories (included in cost of revenue) | **1,791** | 5,869 |
| Cost of inventories recognised as cost of revenue | **55,169** | 62,396 |

## 7. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods.

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 8. LOSS PER SHARE

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2023 (Unaudited)** | 2022 (Unaudited) |
| **Loss (RMB'000)** | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | **(209,226)** | (361,569) |
| **Number of shares ('000)** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **1,251,793** | 1,176,329 |

The calculation of basic and diluted loss per share for both periods has excluded the treasury shares held in trusts of the Company.

Diluted loss per share for both periods did not assume the exercise of share options awarded under the employee stock option (note 18(i)) and the vesting of unvested RSU (note 18(ii)) as their inclusion would be anti-dilutive.

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

During the current interim period, the Group had addition to property, plant and equipment of RMB15,000 (six months ended June 30, 2022: RMB11,185,000).

During the six months ended June 30, 2022, the Group entered into a new lease agreement for a factory in Suzhou for 3 years. The Group was required to make fixed quarterly payments during the contract period. On date of lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB74,348,000 (six months ended June 30, 2023: nil).

The Group capitalised milestone payments from the license in arrangements with independent third party partners of USD9,000,000 (equivalent to RMB65,032,000) (six months ended June 30, 2022: USD16,000,000 (equivalent to RMB104,093,000)).

During the current interim period, in view that CStone Suzhou Factory (the "Facilities") remained temporary suspension of the operation, the directors of the Company have performed an impairment assessment of the Facilities and consequently determined an impairment of the related construction in progress amounting to RMB5,775,000. The impairment loss has been included in profit or loss in the research and development expenses line item.

## 10. ACCOUNT RECEIVABLES

The Group allows an average credit period of 60 days for its customers.

The following is an aged analysis of account receivables presented based on invoice dates at the end of the reporting period.

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| 0 – 60 days | **101,441** | 46,563 |
| 61 – 90 days | **70,812** | 258 |
| Over 90 days | **13,614** | 30,312 |
| | **185,867** | 77,133 |

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| Rental deposits | **11,006** | 11,006 |
| Prepayments | **8,309** | 18,631 |
| Receivable from redemption of investment in fund linked note | **–** | 826 |
| Value-added tax recoverable | **17,428** | 14,174 |
| Reimbursement from licensee *(note a)* | **–** | 43,959 |
| Receivable on behalf of license *(note b)* | **–** | 28,962 |
| Others | **11,652** | 9,710 |
| | **48,395** | 127,268 |
| Analysed as: | | |
| – Non-current | **25,018** | 21,763 |
| – Current | **23,377** | 105,505 |
| | **48,395** | 127,268 |

*Notes:*

(a) The Group entered into an exclusive license agreement with an independent third party for the intellectual property rights related to pharmaceutical products. Pursuant to the agreement, the licensee is responsible for bearing all costs for the activities associated with the development and regulatory affairs for the ongoing trials as well as all future trials. Such amount was fully settled during the interim period.

(b) Amounts represented the balance in which the Group is entitled to receive on behalf of the licensee pursuant to the agreement with the licensee. Such amounts were fully settled during the interim period.

## 12. FINANCIAL ASSETS MEASURED AT FVTPL

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| Convertible note | **3,613** | 3,482 |

*Note:* Further to the convertible note, at December 31, 2022 and June 30, 2023, the Group held 1,000,000 class X units of a private equity resulting from the redemption of the fund linked note as detailed in Note 19 of the Group's 2022 annual report. The management of the Group assessed its fair value is nil at December 31, 2022 and June 30, 2023 after considering the expected return of the underlying investments.

## 13. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

### Time deposits with original maturity over three months

As June 30, 2023, the Group held time deposits of HK$75,000,000 (equivalent to RMB69,151,000) and RMB30,000,000 (December 31, 2022: US$45,000,000 (equivalent to RMB313,407,000) and RMB170,000,000) with original maturity of more than three months which carried effective interest rates ranging from 3.10% – 3.60% (December 31, 2022: 1.45% – 4.30%) per annum. These time deposits will mature within 12 months.

### Cash and cash equivalents

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| Cash at banks | **441,799** | 414,938 |
| Cash on hand | **71** | 71 |
| Cash equivalents | | |
| – Money market funds *(note)* | **5,921** | 3,852 |
| – Time deposits with original maturity less than three months | **458,433** | 139,823 |
| | **906,224** | 558,684 |

*Note:* Amount represents investments in a public debt constant net asset value money market fund and low volatility net asset value money market fund.

## 14. ACCOUNT AND OTHER PAYABLES AND ACCRUED EXPENSES

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| Account payables | **342,350** | 290,414 |
| Accrued expenses | | |
| – Research and development *(note a)* | **211,893** | 251,240 |
| – Royalty fees | **39,799** | 40,881 |
| – Selling and marketing | **29,413** | 11,835 |
| – Legal and professional fees | **5,438** | 2,520 |
| – Others | **5,064** | 6,084 |
| Payable to a licensee *(note b)* | **56,895** | 120,771 |
| Staff payroll payables | **52,347** | 88,309 |
| Other tax payables | **1,677** | 5,819 |
| Other payables | **54,291** | 51,493 |
| | **456,817** | 578,952 |
| | **799,167** | 869,366 |
| Analysed as: | | |
| – Non-current *(note c)* | **75,181** | – |
| – Current | **723,986** | 869,366 |
| | **799,167** | 869,366 |

*Notes:*

(a) Amounts mainly included accrued service fees to outsourced service providers including contract research organisations, contract manufactory organisations and clinical trial centres.

(b) Amount represented the balance the Group had received and/or receivable on behalf of the licensee and is yet to transfer to the licensee.

(c) The Group entered into a supplemental agreement with the vendors, pursuant to which both parties agreed to defer the amount of RMB24,987,000 and US$7,945,000 (equivalent to RMB57,419,000) in June 2023. Such amounts are carried at a fixed interest rate of 4% per annum. US$1,000,000 (equivalent to RMB7,225,000) will be settled in first quarter in 2024, and US$3,000,000 (equivalent to RMB21,675,000) in total will be settled in third quarter in 2024 and first quarter in 2025, respectively, while the remaining principal and interest will be settled in third quarter in 2025.

## 14. ACCOUNT AND OTHER PAYABLES AND ACCRUED EXPENSES (continued)

The credit period on account payables is 0 to 90 days. The following is an ageing analysis of account payables presented based on invoice dates at the end of the reporting period.

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| 0 – 30 days | **138,653** | 96,629 |
| 31 – 60 days | **1,782** | 22,736 |
| 61 – 90 days | **66,528** | 55,073 |
| Over 90 days | **135,387** | 115,976 |
| | **342,350** | 290,414 |

## 15. DEFERRED INCOME

| | June 30, 2023 *RMB'000* (Unaudited) | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|
| Government subsidies received related to acquisition of property, plant and equipment *(note a)* | **–** | 1,247 |
| Other subsidies *(note b)* | **7,000** | 7,000 |
| | **7,000** | 8,247 |
| Analysed as: | | |
| Non-current | **–** | 1,247 |
| Current | **7,000** | 7,000 |
| | **7,000** | 8,247 |

*Notes:*

(a) In prior years, the Group received government subsidies for capital expenditure incurred for the plant, machineries and spare parts. The amounts are deferred and amortised over the estimated useful lives of the respective assets. Such amounts were fully amortised during the six months ended June 30, 2023.

(b) In prior years, the Group received government subsidies towards research and development projects. Certain conditions have to be fulfilled until these subsidies can be regarded as fully granted. At December 31, 2022 and June 30, 2023, the relevant conditions have been fully fulfilled but such grant is subject to the approval of the relevant regulatory authorities and therefore, the government subsidies were deferred.

## 16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of RMB100,000,000 (six months ended June 30, 2022: RMB13,042,000). The loan was unsecured, unguaranteed and carried interest at floating rate of 3.1% per annum and are repayable after 15 months. During the current interim period, the Group repaid bank loans of RMB154,283,000 (six months ended June 30, 2022: nil).

At June 30, 2023, the Group has available unutilised and unconditional banking facilities of RMB50 million and conditional banking facilities of RMB33 million.

## 17. SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS

| | Number of shares | Share capital *US$'000* |
|---|---|---|
| **Ordinary shares** | | |
| Ordinary shares of US$0.0001 each | | |
| **Authorised** | | |
| At January 1, 2022 (Audited), June 30, 2022 (Unaudited), January 1, 2023 (Audited) and June 30, 2023 (Unaudited) | 2,000,000,000 | 200 |

| | Number of shares | Amount *US$'000* | Equivalent amount of ordinary shares *RMB'000* |
|---|---|---|---|
| **Issued and fully paid** | | | |
| At January 1, 2022 (Audited) | 1,187,123,326 | 120 | 796 |
| Exercise of share options | 1,181,951 | –* | 1 |
| At June 30, 2022 (Unaudited) | 1,188,305,277 | 120 | 797 |
| At January 1, 2023 (Audited) | 1,198,744,012 | 120 | 802 |
| Exercise of share options | 343,004 | –* | –* |
| Issuance of ordinary shares | 84,800,000 | 8 | 58 |
| At June 30, 2023 (Unaudited) | 1,283,887,016 | 128 | 860 |

* Amount less than US$1,000 or RMB1,000,respectively.

## 17. SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS (continued)

### Treasury shares held in the trusts:

| | Number of treasury shares | Amount *US$'000* | Equivalent amount of treasury shares *RMB'000* |
|---|---|---|---|
| At January 1, 2022 (Audited) | 14,584,077 | 1 | 11 |
| RSUs exercised under the trusts | (7,939,305) | (1) | (5) |
| At June 30, 2022 (Unaudited) | 6,644,772 | –* | 6 |
| At January 1, 2023 (Audited) | 665,070 | –* | 2 |
| RSUs exercised under the trusts | (1,800,812) | (1) | (1) |
| Recycled to the trusts | 11,243,300 | 1 | 8 |
| At June 30, 2023 (Unaudited) | 10,107,558 | – | 9 |

* Amount less than US$1,000.

In July 2019, the Company and Computershare Hong Kong Trustees Limited (the "Computershare Trustees"), 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 Trustees has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in Note 18) to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the Computershare Trustees. Since the Company has control over the trust, the shares held in the trust are accounted for as treasury shares of the Company.

## 18. SHARE-BASED PAYMENT TRANSACTIONS

### (i) Employee stock option plan ("ESOP")

***The Pre-IPO ESOP***

The Group granted share options under its employee stock option plan (the "Pre-IPO ESOP") which was adopted and approved on July 7, 2017 and amended on August 3, 2018 (the "Pre-IPO Incentivisation Plan") 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.

## 18. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (i) Employee stock option plan ("ESOP") (continued)

***The Pre-IPO ESOP*** (continued)

The following table discloses movements of the Company's Pre-IPO ESOP held by grantees during the period:

| Option type | Outstanding at 1/1/2023 (Audited) | Forfeited | Exercised | Outstanding at 30/6/2023 (Unaudited) |
|---|---|---|---|---|
| Pre-IPO ESOP | **5,685,139** | **(16,672)** | **(343,004)** | **5,325,463** |

| Option type | Outstanding at 1/1/2022 (Audited) | Forfeited | Exercised | Outstanding at 30/6/2022 (Unaudited) |
|---|---|---|---|---|
| Pre-IPO ESOP | 16,189,597 | (1,441) | (1,181,951) | 15,006,205 |

***The Post-IPO ESOP***

Pursuant to a resolution passed on January 30, 2019, the directors of the Company further adopted an employee equity plan to grant option awards (the "Post-IPO ESOP") to any employee, officer, director, contractor, advisor or consultant of the Group by reason of his or her contribution to the Group.

In the current interim period, the Group cancelled 6,200,000 and 9,964,460 share options of Dr. Yang and employees, respectively, pursuant to the terms of the Post-IPO ESOP and re-granted 4,340,000 and 7,116,419 new share options, to Dr. Yang and employees ("Existing Grantees"), respectively. In March 2023, the shareholders of the Company approved the proposed cancellation and re-grant of options under the Post-IPO ESOP in the Company's extraordinary general meeting.

The following table discloses movements of the Company's Post-IPO ESOP held by grantees during the period:

| Option type | Outstanding at 1/1/2023 (Audited) | Granted | Cancelled | Forfeited | Outstanding at 30/6/2023 (Unaudited) |
|---|---|---|---|---|---|
| Post-IPO ESOP | **86,236,090** | **25,777,539** | **(16,164,460)** | **(29,605,724)** | **66,243,445** |

## 18. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (i) Employee stock option plan ("ESOP") (continued)

***The Post-IPO ESOP*** (continued)

| Option type | Outstanding at 1/1/2022 (Audited) | Granted | Forfeited | Outstanding at 30/6/2022 (Unaudited) |
|---|---|---|---|---|
| Post-IPO ESOP | 69,553,717 | 8,493,799 | (4,059,049) | 73,988,467 |

During the six months ended June 30, 2023, the fair values of the Post-IPO ESOP granted determined at the dates of grant ranged from HK$0.75 to HK$3.26 per share.

The fair value of the options granted in the current period was estimated using Option Pricing Model and Monte Carlo Simulation. The key assumptions, used in computing the fair value of the options granted are required to be determined by the directors of the Company with best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The following assumptions were used to calculate the fair value of the Post-IPO ESOP granted during the current interim period:

| | **For the six months ended June 30, 2023** |
|---|---|
| Exercise price | **HK$3.77 – HK$4.90** |
| Expected life | **10 years** |
| Expected volatility | **71.0% – 71.4%** |
| Expected dividend yield | **0%** |
| Risk-free interest rate | **3.0% – 3.6%** |

### (ii) RSUs

***The Pre-IPO RSUs Plan***

Prior to the listing, the Group granted in total 18,079,665 RSUs of the Company at nil consideration to the grantees in accordance with Pre-IPO Incentivisation Plan.

## 18. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (ii) RSUs (continued)

***The Pre-IPO RSUs Plan*** (continued)

The following table discloses movement of the Company's Pre-IPO RSUs during the period:

| | Number of RSUs |
|---|---|
| At January 1, 2023 (Audited) | **192,470** |
| Vested during the period | **(192,470)** |
| At June 30, 2023 (Unaudited) | **–** |

| | Number of RSUs |
|---|---|
| At January 1, 2022 (Audited) | 8,021,554 |
| Vested during the period | (3,759,930) |
| At June 30, 2022 (Unaudited) | 4,261,624 |

A restricted share award scheme (the "Post-IPO RSUs Plan") was approved and adopted pursuant to a resolution passed on March 22, 2019. The directors of the Company may, from time to time, at its absolute discretion grant RSUs to an eligible person in accordance with the Post-IPO RSU Plan.

The following table discloses the movement of the Company's Post-IPO RSUs during the period:

| | Number of RSUs |
|---|---|
| At January 1, 2023 (Audited) | **6,480,851** |
| Granted during the period | **3,379,180** |
| Forfeited during the period | **(925,975)** |
| Vested during the period | **(1,608,342)** |
| At June 30, 2023 (Unaudited) | **7,325,714** |

| | Number of RSUs |
|---|---|
| At January 1, 2022 (Audited) | 18,734,247 |
| Granted during the period | 1,767,000 |
| Forfeited during the period | (2,507,583) |
| Vested during the period | (4,179,375) |
| At June 30, 2022 (Unaudited) | 13,814,289 |

The fair value of the Post-IPO RSUs granted during the current interim period was HK$3.57 per Post-IPO RSU which was determined by the observable market price at grant date.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Vice President of Finance establishes the appropriate valuation techniques and inputs to the model and reports any findings to the directors of the Company.

The fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categories (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on 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).

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation techniques and key input(s) |
|---|---|---|---|---|
| | **June 30, 2023** ***RMB'000*** **(Unaudited)** | December 31, 2022 *RMB'000* (Audited) | | |
| Money market funds | **5,921** | 3,852 | Level 2 | Based on the net asset values of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses |
| Convertible note | **3,613** | 3,482 | Level 2 | Recent transaction price |

There were no transfers between Level 1 and 2 during the period.

### Fair value of financial assets and liabilities that are not measured at fair value

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

## 20. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group also entered into the following transactions during the period with certain related parties.

### Compensation of key management personnel

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Short term benefits | **15,324** | 11,455 |
| Retirement benefits scheme contributions | **580** | 192 |
| Total cash compensation | **15,904** | 11,647 |
| Share-based payment expense | **58,464** | 84,882 |
| | **74,368** | 96,529 |

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

# 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.

| | |
|---|---|
| "Articles" or "Articles of Association" | the fifth amended and restated articles of association of the Company adopted on June 21, 2023 with effect from Listing, as amended, supplemented or otherwise modified from time to time |
| "Audit Committee" | the audit committee of the Board |
| "Board", "our Board" or "Board of Directors" | the board of directors of our Company |
| "CDE" | Center for Drug Evaluation |
| "CG Code" | The Corporate Governance Code sets out in Appendix 14 to the Listing Rules |
| "Chairman" | the chairman of the Board |
| "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 |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "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 |
| "CStone Suzhou" | CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司), a company established under the laws of the PRC on April 21, 2016 and one of the Company's subsidiaries |
| "Director(s)" | the director(s) of our Company |
| "FDA" | the U.S. Food and Drug Administration |
| "GIST" | gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine |

# Definitions

| | |
|---|---|
| "Global Offering" | the Hong Kong public offering and the international offering of the Shares |
| "Group", "our Group", "the Group", "we", "us", or "our" | the Company and its subsidiaries from time to time |
| "HCC" | hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "HKD" or "HK$" or "HK dollars" | Hong Kong Dollars, the lawful currency of Hong Kong |
| "IFRS" | International Financial Reporting Standards |
| "IND" | investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia |
| "Independent Auditor" or "Deloitte" | Deloitte Touche Tohmatsu |
| "INED(s)" | the independent non-executive Director(s) |
| "Investment Committee" | the investment committee of the Board |
| "IO" | immuno-oncology |
| "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 fifth amended and restated memorandum of association of our Company adopted on June 21, 2023 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 |
| "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 |
| "Pfizer" | Pfizer Inc., a company incorporated in Delaware and listed on the New York Stock Exchange (NYSE: PFE) |
| "Pfizer Corporation" | Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, an indirectly wholly-owned subsidiary of Pfizer |
| "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 |
| "Preferred Share(s)" | preferred share(s) in the share capital of the Company prior to the Listing |
| "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, 2023 to June 30, 2023 |
| "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 Directors' 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 |

# Definitions

| | |
|---|---|
| "Share Incentivization Schemes" | the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme |
| "SM" | systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "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. |
| "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.*


基石药业
CSTONE
PHARMACEUTICALS