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CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2616)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board (the "**Board**") of directors (the "**Directors**") of CStone Pharmaceuticals (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2020 (the "**Reporting Period**"), together with comparative figures for the six months ended June 30, 2019. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of our Company dated February 14, 2019 (the "**Prospectus**") and our announcement of interim results for the six months ended June 30, 2019 dated August 14, 2019.

FINANCIAL HIGHLIGHTS

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

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

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

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

International Financial Reporting Standards ("IFRS") Measures:

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

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

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

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

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

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

BUSINESS HIGHLIGHTS

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

Late-stage Assets Progress

- **Sugemalimab** (CS1001, PD-L1 antibody): We have made significant progress to advance our lead immuno-oncology ("**IO**") asset sugemalimab in the clinic, qualifying it as a promising anti-PD-L1 with unique advantages and significant differentiation.

  – In August 2020, the Phase III trial of sugemalimab met primary endpoint as first-line treatment for Stage IV squamous and non-squamous non-small cell lung cancer ("**NSCLC**"). We plan to submit a New Drug Application ("**NDA**") to the National Medical Products Administration ("**NMPA**") of the People's Republic of China ("**China**") in the second half of 2020.

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

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

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

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

  – We have received an Investigational New Drug ("**IND**") approval for the natural killer T-cell lymphoma ("**NKTL**") pivotal trial from the United States ("**U.S.**") Food and Drug Administration ("**FDA**") in August 2020.

- **CS1003** (PD-1 antibody)

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

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

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

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

  - The registrational study of pralsetinib in Chinese RET fusion-positive NSCLC patients achieved the pre-defined results and we plan to submit an NDA to the NMPA in the second half of 2020.

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

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

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

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

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

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

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

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

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

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

- **Ivosidenib** (CS3010, IDH1 inhibitor)
  - We have received an NDA approval from TFDA for ivosidenib for adult patients with relapsed or refractory acute myeloid leukemia ("**R/R AML**") containing an isocitrate dehydrogenase-1 mutation ("**IDH1m**"), and the marketing approval is anticipated in the second half of 2020.
  - We are conducting two registrational trials in China: one for IDH1m R/R AML, and another for newly diagnosed IDH1m AML patients who are not eligible for intensive therapy.
  - We expect to submit an NDA for R/R AML in Singapore in the second half of 2020.

Early-stage Assets and Research Progress

- Novel IO combinations: With combination therapy as the core strategy and the unique advantage of leveraging our three IO backbone agents, we made significant progress on multiple combinations with assets from our internal pipeline and external partners:
  - CS1002 (CTLA-4 antibody) with CS1003 (PD-1 antibody): First patient dosed in dose-escalation in January 2020 and in dose-expansion in June 2020.
  - Sugemalimab (PD-L1 antibody) with fisogatinib (CS3008, FGFR4 inhibitor) in HCC: Phase Ib part was completed with the recommended Phase II dose ("**RP2D**") declared in June 2020. The first patient was dosed in dose-expansion of the Phase II part in July 2020.
  - Sugemalimab (PD-L1 antibody) with donafenib: Phase I/II trial to be initiated in China.
- Numab collaboration: In March 2020, our partner, Numab Therapeutics AG ("**Numab**"), filed an IND application for NM21-1480 (PD-L1×4-1BB×HSA tri-specific molecule) to the U.S. FDA and received "may proceed" letter in April 2020. The IND has been approved by U.S. FDA in June 2020. The first patient dosing of NM21-1480 was completed in July 2020. We have received an IND approval for NM21-1480 from TFDA in August 2020.
- Other early assets development
  - CS3002 (CDK4/6 inhibitor): The first patient was dosed in Australia in January 2020 in a phase I trial of CS3002 as a single agent for the treatment of patients with solid tumors in Australia and China. In February 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.
  - CS3005 (A2aR antagonist): The first patient was dosed in Australia in January 2020 in a phase I trial of CS3005 as a single agent for the treatment of patients with solid tumors in Australia and China. In May 2020, we received IND approval from NMPA for the treatment of patients with solid tumors.
  - In June 2020, we released the pre-clinical data of sugemalimab (PD-L1), CS3002 (CDK4/6) and CS3003 (HDAC6), in the E-poster presentation session at the 2020 American Association for Cancer Research ("**AACR**") virtual annual meeting II.

Manufacturing Facility

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

Commercial Progress

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

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

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

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

Business Development

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

- In March 2020, we amended the agreement with Agios Pharmaceuticals, Inc. (NASDAQ: AGIO) ("**Agios**"), to extend our territory beyond greater China to Singapore to develop and commercialize ivosidenib.

MANAGEMENT DISCUSSION & ANALYSIS

OUR VISION

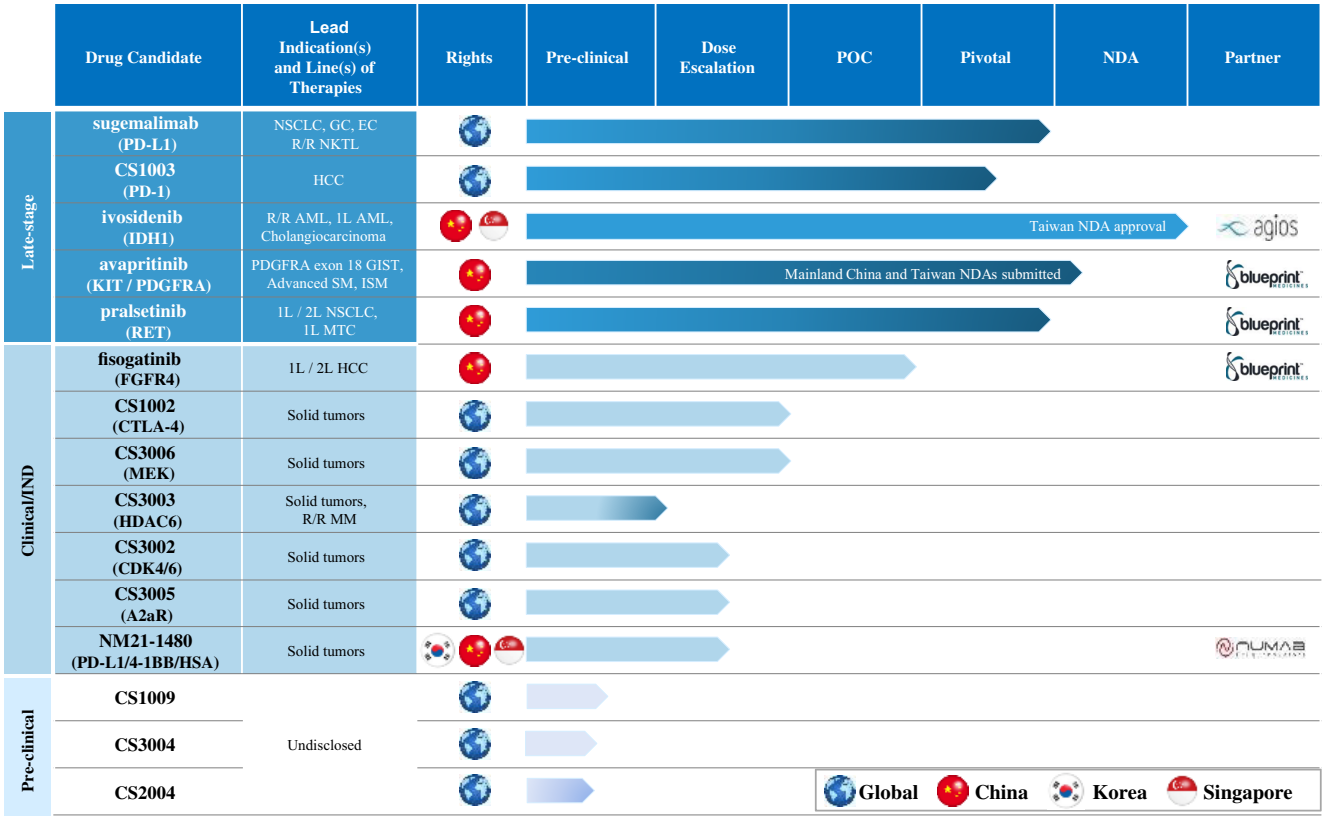
Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide.

OVERVIEW

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

Our core product candidate, sugemalimab, is a fully human, full-length anti-PD-L1 monoclonal antibody. sugemalimab mirrors natural G-type immune globulin 4 ("**IgG4**") human antibody, which can reduce the risk of immunogenicity and potential toxicities in patients, potentially representing a unique advantage over similar drugs. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios for ivosidenib (CS3010) and Blueprint Medicines for avapritinib (CS3007), pralsetinib (CS3009), and fisogatinib (CS3008) to develop and commercialize the four molecularly targeted compounds in greater China. All four compounds have achieved proof-of-concept for their lead indications based on clinical data from the respective global trials. U.S. FDA approved ivosidenib in July 2018 as the first treatment of IDH1m R/R AML in its class globally. avapritinib is also the first drug candidate in its class globally for the treatment targeting PDGFRA D842V mutations and the U.S. FDA approved avapritinib for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations in January 2020. pralsetinib (CS3009) and fisogatinib (CS3008) each has the potential to be a first-in-class precision therapy option globally.

Product Pipeline



Source: Company

Note: Assets status denote progress in the region noted in the column titled "Rights". AML= Acute Myeloid Leukemia, Advanced SM= Advanced Systemic Mastocytosis, GIST = Gastrointestinal Stromal Tumor, HCC = Hepatocellular Carcinoma, ISM = Indolent Systemic Mastocytosis, NKTL = Natural KILLER/T Cell Lymphoma, NSCLC = Non-small Cell Lung Cancer, MTC = Medullary Thyroid Cancer, R/R = Relapsed or Refractory, SM = Systemic Mastocytosis, MM = Multiple Myeloma.

BUSINESS REVIEW

Clinical Development

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

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

Late-stage Assets Progress

Sugemalimab (PD-L1 antibody)

- Our core product candidate, sugemalimab, is an investigational monoclonal antibody directed against PD-L1 that is currently being investigated in pivotal clinical trials in China. As a fully-human, full-length anti-PD-L1 monoclonal antibody, sugemalimab mirrors natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs. As of June 24, 2020, we have dosed more than 1,300 patients in sugemalimab's clinical trials.

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

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

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

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

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

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

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

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

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

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

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

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

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

CAUTIONARY STATEMENT REQUIRED BY RULE 18A.05 OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SUGEMALIMAB SUCCESSFULLY.

CS1003 (PD-1 antibody)

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

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

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

Pralsetinib (CS3009, RET inhibitor)

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

- The registrational study of pralsetinib in Chinese RET fusion-positive NSCLC patients achieved the pre-defined results and we plan to submit an NDA to the NMPA in the second half of 2020.

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

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

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

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

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

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

Avapritinib (CS3007, KIT/PDGFRA inhibitor)

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

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

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

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

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

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

Ivosidenib (CS3010, IDH1 inhibitor)

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

- We have received an NDA approval from TFDA for ivosidenib for adult patients with R/R AML containing IDH1m, and the marketing approval is anticipated in the second half of 2020.

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

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

Early-stage Assets and Research Progress

Fisogatinib (CS3008; FGFR4 inhibitor)

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

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

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

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

CS1002 (CTLA-4 antibody)

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

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

CS3002 (CDK4/6 inhibitor)

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

CS3005 (A2aR antagonist)

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

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

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

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

Research

We focus on the research and development of innovative immuno-oncology and molecularly targeted drugs for the treatment of cancer. Our drug discovery and pre-clinical research team conducts drug discovery, formulation development, process development, and pre-clinical research of new drug candidates.

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

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

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

FUTURE AND OUTLOOK

Our business model is designed to accelerate the development of innovative drugs. We focus on clinical development, which has long been a bottleneck in the innovative drug development value chain in China, through both adaptive clinical trial design and clinical trial operational excellence.

Leveraging our strong internal research capabilities, we continue to identify and develop new drug candidates to advance to clinical stage. We will continue to advance our pre-clinical assets towards the IND stage and develop new internal assets through our in-house research capability and collaboration with top academic institutions and world-leading Contract Research Organizations.

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

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

FINANCIAL INFORMATION

The Board announces the unaudited condensed consolidated results of the Group for the six months ended June 30, 2020, with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	NOTES	**June 30, 2020** ***RMB'000*** **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**22,231**	14,185
Right-of-use assets	*9*	**1,943**	4,469
Deposits for acquisition of property, plant and equipment and intangible assets		**6,817**	3,572
Other intangible assets		**6,691**	1,305
Other receivables	*10*	**52,208**	40,271
		89,890	63,802
Current assets			
Deposits, prepayments and other receivables	*10*	**106,876**	143,599
Other investments classified as financial assets measured at fair value through profit or loss ("**FVTPL**")	*11*	**12,146**	11,946
Debt instruments at FVTOCI	*11*	**–**	4,811
Restricted bank deposits		**720**	620
Time deposit	*12*	**389,373**	1,599,431
Cash and cash equivalents	*12*	**1,734,386**	1,126,436
		2,243,501	2,886,843
Current liabilities			
Trade and other payables and accrued expenses	*13*	**335,349**	449,440
Deferred income	*14*	**5,260**	4,180
Lease liabilities		**1,600**	4,344
Contract liability		**1,887**	–
		344,096	457,964
Net current assets		**1,899,405**	2,428,879
Total assets less current liabilities		**1,989,295**	2,492,681
Non-current liabilities			
Bank borrowings	*15*	**23,793**	–
Deferred income	*14*	**10,873**	11,099
Lease liabilities		**102**	–
		34,768	11,099
Net assets		**1,954,527**	2,481,582
Capital and reserves			
Ordinary share capital		**687**	687
Treasury shares		**(5,111)**	–
Treasury shares held in the trusts		**(16)**	(30)
Reserves		**1,958,967**	2,480,925
Total equity		**1,954,527**	2,481,582

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

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

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

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

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

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

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

3. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products. The Group's chief operating decision maker ("**CODM**") has been identified as the chief executive of the Group.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as set out in Note 2 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2019.

Geographical information

All of the Group's non-current assets and capital expenditure are located or utilized in the People's Republic of China (the "**PRC**").

4. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank and other interest income	**20,440**	21,770
Government grants income *(note)*	**8,026**	1,734
	28,466	23,504

Note:

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

Other gains and losses

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

5. INCOME TAX EXPENSE

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

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

6. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging the following items:		
Directors' emoluments (including share-based payment expenses)	**70,292**	79,357
Staff costs:		
– Salaries and other allowances	**90,825**	56,214
– Performance-related bonus	**29,198**	12,786
– Retirement benefit scheme contributions	**6,901**	7,655
– Share-based payment expenses	**95,507**	129,839
	292,723	285,851
Amortization for other intangible assets	**1,322**	118
Depreciation for property, plant and equipment	**3,122**	2,967
Depreciation of right-of-use assets	**2,883**	2,096
Auditor's remuneration	**990**	948
Lease payments in respect of short-term and low value leases	**1,826**	1,283

7. DIVIDENDS

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

8. LOSS PER SHARE

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period		
Loss for the period attributable to owners of the Company	**(671,243)**	(1,235,794)
Add: Loss for the period attributable to preferred shareholders	**–**	239,704
Loss for the purpose of basic and diluted loss per share	**(671,243)**	(996,090)

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

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

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

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

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

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

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

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

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

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

Notes:

(a) The Group entered into contracts in respect of wealth management plans managed by financial institutions. The principal is unguaranteed by the relevant financial institutions with expected return as stated in the contracts at 3.6% per annum as at June 30, 2020 (December 31, 2019: 3.6% per annum). All investments have maturity dates within one year and are classified as other investments classified as financial assets mandatorily measured at FVTPL.

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

12. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

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

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

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

Cash and cash equivalents

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

Note:

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

13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

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

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

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

Note:

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

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

14. DEFERRED INCOME

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

Notes:

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

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

15. BANK BORROWINGS

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

Note:

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

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

Financial Review

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

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

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

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

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

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

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

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

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

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

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

Listing Expenses. We did not incur any listing expenses for the six months ended June 30, 2020. The RMB17.6 million listing expenses for the six months ended June 30, 2019 were mainly attributable to legal and professional fees in relation to the IPO.

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

Non-IFRS Measure

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

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

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

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

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

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

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

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

Employees and Remuneration Policies

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

Function	Number of employees	% of total number of employees
Research and Development	216	66.46
Sales, General and Administrative	109	33.54
Total	325	100.0

As of June 30, 2020, we had 220 employees in Shanghai, 31 employees in Suzhou and 74 employees in other regions of the PRC and overseas. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

Liquidity and Financial Resources

On February 26, 2019, 186,396,000 Shares of US$0.0001 each were issued at a price of HK$12.00 per Share in connection with the Company's IPO on the Stock Exchange. The proceeds of HK$146,294.76 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$2,236,605,705.24, (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from US$ to HK$ is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of February 26, 2019.

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

Gearing Ratio

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

Other Financial Information

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2020, we did not hold any significant investments. For the six months ended June 30, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, restricted bank deposits, time deposits, other receivables, other investments classified as financial assets measured at fair value through profit or loss and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

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

Contingent Liabilities

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on December 2, 2015, and the shares of the Company (the "**Shares**") were listed on the Stock Exchange on February 26, 2019.

Compliance with the Corporate Governance Code

The Board is committed to achieving high corporate governance standards. During the six months ended June 30, 2020, we had applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the six months ended June 30, 2020, the Board is of the opinion that we have complied with all the code provisions apart from the deviation below.

We do not have a separate chairman and chief executive officer and Dr. Frank Ningjun Jiang currently performs these two roles. While this constitutes a deviation from Code Provision A.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of nine Directors, and we believe there is sufficient check and balance in our Board; (ii) Dr. Frank Ningjun Jiang and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

The Company 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. Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending December 31, 2020.

Model Code for Securities Transactions by Directors of Listed Issuers

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "**Securities Transactions Code**"), which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**").

Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the six months ended June 30, 2020. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the six months ended June 30, 2020. Our 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 announcement.

Purchase, Sale or Redemption of Listed Securities

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

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

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

Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2020. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the six months ended June 30, 2020.

Use of Net Proceeds

Our Shares were listed on the Main Board of the Stock Exchange on February 26, 2019 (the "**Listing**"). The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately RMB2,090.16 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

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

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

Notes:

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

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

Audit Committee

The Company has established an audit committee (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 carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2020) 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 a dividend for the six months ended June 30, 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report for the six months ended June 30, 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By order of the Board
CStone Pharmaceuticals
Dr. Frank Ningjun Jiang
Chairman

Suzhou, PRC, August 18, 2020

As of the date of this announcement, the Board comprises Dr. Frank Ningjun Jiang as Chairman and Executive Director, Dr. Wei Li, Mr. Qun Zhao, Mr. Yanling Cao, Mr. Guobin Zhang and Dr. Lian Yong Chen as non-executive Directors, and Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun as independent non-executive Directors.