CARSGEN THERAPEUTICS

科濟藥業控股有限公司
CARSGEN THERAPEUTICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2171.HK

2023
INTERIM REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Zonghai LI
Dr. Huamao WANG
Dr. Hua JIANG

Non-executive Directors

Mr. Bingsen GUO
Mr. Huaqing GUO
Mr. Ronggang XIE

Independent Non-executive Directors

Dr. Chunhai FAN (resigned on January 11, 2023)
Dr. Guangmei YAN
Mr. Tak Young SO (resigned on June 30, 2023)
Dr. Huabing LI (appointed on March 9, 2023)
Ms. Xiangke ZHAO (appointed on July 4, 2023)

CORPORATE HEADQUARTERS

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Xuhui District
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REGISTERED OFFICE

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Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW

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COMPANY SECRETARY

Mr. Wing Yat Christopher LUI

AUTHORIZED REPRESENTATIVES

Dr. Zonghai LI
Mr. Wing Yat Christopher LUI

AUDIT COMMITTEE

Ms. Xiangke ZHAO *(Chairman)*
Mr. Huaqing GUO
Dr. Huabing LI

REMUNERATION COMMITTEE

Dr. Huabing LI *(Chairman)*
Dr. Zonghai LI
Dr. Guangmei YAN

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Dr. Zonghai LI *(Chairman)*
Dr. Guangmei YAN
Dr. Huabing LI

HONG KONG SHARE REGISTRAR

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STOCK CODE

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AUDITOR

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Registered Public Interest Entity Auditor
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PRINCIPAL BANKER

Bank of Hangzhou Co., Ltd.
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Financial Highlights

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Net loss	**(404,472)**	(376,338)
Net loss per share (RMB)	**(0.73)**	(0.69)
Non-IFRS Measures		
Adjusted net loss[(1)]	**(385,726)**	(352,888)
Adjusted net loss per share[(1)] (RMB)	**(0.70)**	(0.65)

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,683,921**	2,268,036
Terms deposits with original maturity between three and twelve months	**490,087**	–
Total	**2,174,008**	2,268,036

Our net loss was RMB404 million for the six months ended June 30, 2023, representing an increase of RMB28 million from RMB376 million for the six months ended June 30, 2022. The increase was primarily due to higher research and development expenses and the turnaround from net foreign exchange gains for the six months ended June 30, 2022 to net foreign exchange losses for the six months ended June 30, 2023.

Our adjusted net loss[(1)] was RMB386 million for the six months ended June 30, 2023, representing an increase of RMB33 million from RMB353 million for the six months ended June 30, 2022. The increase was primarily due to higher research and development expenses and the turnaround from net foreign exchange gains for the six months ended June 30, 2022 to net foreign exchange losses for the six months ended June 30, 2023.

Cash and cash equivalents and term deposits with original maturity between three and twelve months were RMB2,174 million as of June 30, 2023, representing a decrease of RMB94 million from RMB2,268 million as of December 31, 2022. The decrease mostly resulted from research and development expenses, administrative expenses and investment of CAPEX.

(1) Adjusted net loss and adjusted net loss per share are non-IFRS measures. They exclude the impact of the adjusted items. For details of non-IFRS measures, please refer to "Non-IFRS Measures" subsection.

Business Highlights

As of the date of this report, we have made significant progress in advancing our technology innovations, product pipeline and business operations in the United States of America (U.S.) and the People's Republic of China.

Zevorcabtagene Autoleucel (Zevor-cel, R&D code: CT053)

Zevor-cel is an autologous fully human CAR T-cell product candidate against B-cell maturation antigen (BCMA) for the treatment of relapsed/refractory multiple myeloma (R/R MM). In October 2022, China National Medical Products Administration (NMPA) accepted the New Drug Application (NDA) and has granted the priority review for zevor-cel. Zevor-cel is expected to be approved by the NMPA for the treatment of R/R MM at the end of 2023 or the beginning of 2024. The enrollment in the Phase 2 clinical trial in the United States and Canada is underway.

In January 2023, CARsgen and Huadong Medicine (Hangzhou) Co., Ltd., a wholly-owned subsidiary of Huadong Medicine Co., Ltd. (Stock Code: SZ. 000963) ("**Huadong Medicine**") entered into a collaboration agreement for the commercialization of CARsgen's lead drug candidate, zevor-cel, in mainland China. Since reaching the agreement, teams from CARsgen and Huadong Medicine have been working together closely to implement this collaboration and prepare for the approval and commercialization of zevor-cel in China.

CT041

CT041 is an autologous humanized CAR T-cell product candidate against Claudin18.2, a membrane protein highly expressed in certain cancers. As of the date of this report, CT041, based on our information, is the world's first CAR T-cell candidate for the treatment of solid tumors that has entered a Phase II clinical trial. In April 2023, CT041 has achieved IND clearance from the NMPA for the postoperative adjuvant therapy of Claudin18.2 positive pancreatic cancer (PC). In May 2023, a Phase 2 clinical trial of CT041 in the U.S. has been initiated for the treatment of Claudin18.2 positive advanced gastric cancer/gastroesophageal junction cancer (GC/GEJ) in patients who have failed at least 2 prior lines of systemic therapies. Active CT041 trials include a Phase 1b/2 clinical trial for advanced gastric cancer (GC) and PC in the United States and Canada (CT041-ST-02, NCT04404595), a Phase Ib clinical trial for advanced gastric cancer/gastroesophageal junction cancer (GC/GEJ) and PC (CT041-ST-01, NCT04581473), a confirmatory Phase II clinical trial for advanced GC/GEJ in China (CT041-ST-01, NCT04581473), and an investigator-initiated trial (NCT03874897).

Manufacturing Capacity

We have established in-house, vertically integrated manufacturing capabilities for the three key stages of CAR T manufacturing, including the production of plasmids, lentiviral vectors, and CAR T cells.

We have been expanding our global manufacturing capacity in China and the U.S. to support both clinical trials and the subsequent commercialization of our pipeline products. With the clinical manufacturing facility in Xuhui, Shanghai and commercial GMP manufacturing facility in Jinshan, Shanghai ("**Jinshan Manufacturing Facility**"), we manufacture CAR T-cell products in-house to support clinical trials in China and manufacture the lentiviral vectors in-house to support clinical trials globally. Our Research Triangle Park (RTP) CGMP manufacturing facility in Durham, North Carolina ("**RTP Manufacturing Facility**") has commenced operations of GMP production of autologous CAR T-cell products. The RTP Manufacturing Facility will provide CARsgen additional manufacturing capacity of autologous CAR T-cell products for 700 patients annually to support clinical studies and early commercial launch in the United States, Canada, and Europe.

I. OVERVIEW

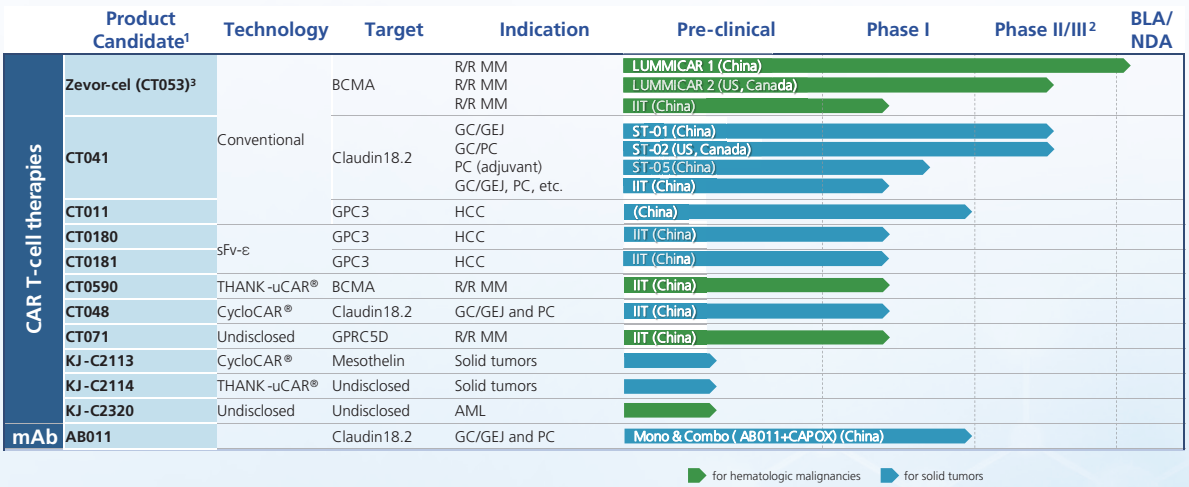
CARsgen is a biopharmaceutical company with operations in China and the U.S. focused on innovative CAR T-cell therapies for the treatment of hematologic malignancies and solid tumors. CARsgen has built an integrated platform to accelerate the cell therapy development life cycle with in-house capabilities including target discovery, antibody development, clinical development, and commercial-scale manufacturing. CARsgen has internally developed novel technologies and a product pipeline with global rights to overcome major challenges of CAR T-cell therapies, such as improving the safety profile, enhancing the efficacy in treating solid tumors, and reducing treatment associated costs. Our vision is to be a global biopharmaceutical leader that brings innovative and effective cell therapies to cancer patients worldwide and makes cancer curable.

In the first half of 2023, we continued to make steady advancements in the clinical development of our differentiated product pipeline, technology innovations, manufacturing capabilities, and business development.

II. BUSINESS REVIEW

Our Products and Product Pipeline

Since CARsgen's inception, we have been focusing our efforts on in-house development of innovative and differentiated CAR T-cell therapies. Our Core Product Candidate, zevor-cel for the treatment of R/R MM, is at the most advanced development stage among the product candidates in our pipeline. In addition, our solid tumor product candidates are in confirmatory Phase II (CT041), Phase I (CT011), and Phase Ib (AB011) clinical trials. The following chart summarizes the development status of each product candidate in our pipeline as of the date of this report. Our product candidates are developed in-house with global rights owned by CARsgen.



R/R MM: relapsed/refractory multiple myeloma; GC: gastric cancer; GEJ: gastroesophageal junction cancer; PC: pancreatic cancer; HCC: hepatocellular carcinoma; AML: acute myeloid leukemia

Notes:

1. All product candidates are self-developed with global rights.

2. Phase II trials of some indications are pivotal studies.

3. Core Product Candidate. Commercial rights in mainland China have been granted to Huadong Medicine. Rights in the South Korean market have been licensed out to HK Inno.N Corporation (KOSDAQ: 195940).

Zevorcabtagene Autoleucel (Zevor-cel, R&D code: CT053) – Fully Human BCMA-targeted CAR T

Zevor-cel is a fully human, autologous BCMA CAR T-cell product candidate for the treatment of R/R MM. It incorporates a CAR construct with a fully human BCMA-specific single-chain variable fragment (scFv) with low immunogenicity and increased stability that overcomes T-cell exhaustion by reducing the self-activation of CAR T cells in the absence of tumor-associated targets.

CARsgen developed zevor-cel in-house with our integrated research and development platform. Zevor-cel received Regenerative Medicine Advanced Therapy (RMAT) for the treatment of R/R MM from the FDA in October 2019, PRIority MEdicines (PRIME) eligibility for the treatment of R/R MM from the EMA in September 2019, Breakthrough Therapy designation for the treatment of R/R MM from the NMPA in December 2020. In addition, zevor-cel received Orphan Drug designation for the treatment of multiple myeloma from the U.S. FDA in 2019, Orphan Medicinal Product designation for the treatment of multiple myeloma from the European Medicines Agency (EMA) in 2020, and priority review from NMPA in October 2022.

The Phase 2 trial (LUMMICAR STUDY 2, NCT03915184) for R/R MM is being conducted by CARsgen in the United States and Canada. After a recent development meeting with FDA Center for Biologics Evaluation and Research (CBER), CARsgen plans to complete enrollment of approximately 100 patients in a Phase 2 clinical trial by the end of 2023. CARsgen plans to submit a BLA to the U.S. FDA in the first half of 2025. Updated data for a total of 17 patients who received zevor-cel infusion in the Phase 1b/2 trial in U.S. were presented orally at the 7th Annual CAR-TCR Summit in September 2022.

CARsgen is conducting a pivotal Phase II study (LUMMICAR STUDY 1, NCT03975907) in China for R/R MM. NMPA has accepted the NDA submission for zevor-cel in October 2022. Zevor-cel is expected to be approved by the NMPA for the treatment of R/R MM at the end of 2023 or the beginning of 2024. At the 64th ASH Annual Meeting in December 2022, CARsgen presented one poster, titled 'Phase II Study of Fully Human BCMA-Targeted CAR T Cells (Zevorcabtagene Autoleucel) in Patients with Relapsed/Refractory Multiple Myeloma', highlighting the updated study results for zevor-cel in the Phase I/II trial in China. A poster titled 'Sustainable Efficacy and Safety Results from LUMMICAR STUDY 1: A Phase 1/2 Study of Fully Human B-Cell Maturation Antigen-Specific CAR T Cells (CT053) in Chinese Subjects with Relapsed and/or Refractory Multiple Myeloma', which included the sustainable efficacy and safety results from the Phase I study of zevor-cel in China, was previously presented at the 63rd ASH Annual Meeting in December 2021.

Updated results for the investigator-initiated trials (NCT03302403, NCT03380039, NCT03716856) were published in *Haematologica* in August 2022 article titled 'A novel BCMA CAR-T-cell therapy with optimized human scFv for treatment of relapsed/refractory multiple myeloma: results from Phase I clinical trials'.

Additional data from these global clinical trials will be disclosed in academic journals or conferences. CARsgen plans to conduct additional clinical trials to develop zevor-cel as a treatment for earlier lines of multiple myeloma.

We may not be able to ultimately develop and market zevor-cel successfully.

CT041 – Humanized Claudin18.2-targeted CAR T

CT041 is an autologous CAR T-cell product candidate against the protein Claudin18.2 and has the potential to be first-in-class globally. CT041 targets the treatment of Claudin18.2-positive solid tumors with a primary focus on GC/GEJ and PC. Claudin18.2 is expressed in a range of solid tumors, including GC/GEJ, PC, biliary tract cancer (BTC), colorectal, lung, and ovarian cancers. Leveraging our in-depth understanding of CAR T-cell therapy, as well as our integrated antibody platform, we were the first in the world to successfully identify, validate, and report Claudin18.2 as a solid tumor-associated antigen and viable target for CAR T-cell therapy for solid tumors in which Claudin18.2 is prevalently or highly expressed. To further address the challenges of CAR T-cell therapies in treating solid tumors, we developed an innovative, patent-protected lymphodepletion regimen (FNC) that is administered prior to infusion of CT041. This FNC regimen features the addition of low-dose nab-paclitaxel to the conventional lymphodepletion regimen comprising cyclophosphamide and fludarabine.

CT041 was granted RMAT designation by U.S. FDA for the treatment of advanced GC/GEJ with Claudin18.2-positive tumors in January 2022 and was granted PRIME eligibility by the EMA for the treatment of advanced gastric cancer in November 2021. CT041 received Orphan Drug designation from the U.S. FDA in September 2020 for the treatment of GC/GEJ and Orphan Medicinal Product designation from the EMA in January 2021 for the treatment of advanced gastric cancer.

As of the date of this report, CT041, based on our information, is the world's first CAR T-cell candidate for the treatment of solid tumors that has entered a Phase II clinical trial.

The Phase 1b/2 clinical trial for advanced GC and PC (CT041-ST-02, NCT04404595) is currently active in the U.S. and Canada. A Phase 2 clinical trial of CT041 in the U.S. has been initiated in May 2023. CARsgen plans to submit the BLA of CT041 for the treatment of advanced GC to the U.S. FDA in 2025. At the 2022 ASCO Annual Meeting, CARsgen presented a poster entitled 'Multicenter Phase 1b Trial of Salvage CT041 Claudin18.2-specific Chimeric Antigen Receptor T Cell Therapy for Patients with Advanced Gastric and Pancreatic Adenocarcinoma' with updated study results for CT041 in the Phase 1b trial in the U.S..

In China, CARsgen is conducting a confirmatory Phase II clinical trial for advanced GC/GEJ (CT041-ST-01, NCT04581473). CARsgen plans to submit an NDA of CT041 for the treatment of advanced GC to the NMPA in China in 2024. In April 2023, CT041 has achieved IND clearance from the NMPA for the postoperative adjuvant therapy of Claudin18.2 positive PC (CT041-ST-05, NCT05911217). The updated results from the Phase Ib/II CT041 study in China were presented at the 2022 ASCO Annual Meeting with the poster titled 'Safety, Tolerability and Preliminary Efficacy Results in Patients with Advanced Gastric/Gastroesophageal Junction Adenocarcinoma from a Phase Ib/II Study of Claudin18.2 CAR T-cell Therapy'.

The results of the investigator-initiated trial of CT041 (NCT03874897) were reported in the *Nature Medicine* article titled "Claudin18.2-specific CAR T cells in gastrointestinal cancers: Phase I trial interim results" in May 2022.

Additional data from these global clinical trials will be disclosed in academic journals or at scientific conferences. CARsgen plans to conduct additional clinical trials to develop CT041 as an earlier line of treatment for GC/GEJ.

We may not be able to ultimately develop and market CT041 successfully.

CT011 – Humanized GPC3-targeted CAR T

CT011 is an autologous CAR T-cell product candidate with proof-of-concept clinical data for the treatment of hepatocellular carcinoma (HCC) and has the potential to be the first-in-class globally. Our co-founder, CEO and Chief Scientific Officer, Dr. Zonghai LI led the world's first successful effort in identifying, validating and reporting GPC3 as a tumor-associated target for the development of CAR T-cell therapies to treat HCC. We have completed enrollment of a Phase I trial in China.

A case report of long-term complete response of advanced hepatocellular carcinoma using CT011 titled 'Long term complete response of advanced hepatocellular carcinoma to glypican-3 specific chimeric antigen receptor T-Cells plus sorafenib, a case report' was published in *Frontiers in Immunology* in August 2022.

We may not be able to ultimately develop and market CT011 successfully.

AB011 – Anti-Claudin18.2 mAb

AB011 is a humanized monoclonal antibody product candidate that targets Claudin18.2, which is a stomach-specific isoform of Claudin 18 and is highly expressed in GC/GEJ and PC cells. AB011 displayed strong in vitro antitumor activities against Claudin18.2 positive tumor cells in antibody-dependent cellular cytotoxicity (ADCC) assays and complement-dependent cytotoxicity (CDC) assays and showed potent in vivo antitumor activities when combined with oxaliplatin and 5-fluorouracil in Claudin18.2 positive gastric cancer mouse models.

AB011 is the first monoclonal antibody against Claudin18.2 that received IND clearance in China. We are conducting a Phase I clinical trial of AB011 for the treatment of Claudin18.2 positive solid tumors in China to evaluate the safety, tolerability, pharmacokinetics and preliminary efficacy of AB011 infusion. We completed Phase I monotherapy and the combination with chemotherapy cohorts enrollment. AB011 in combination with atezolizumab monoclonal antibody and chemotherapy (capecitabine and oxaliplatin) achieved IND clearance from the NMPA for first-line treatment Claudin18.2 positive unresectable locally advanced, recurrent or metastatic gastric cancer/gastroesophageal junction cancer.

This multicenter, open-label, two-stage, Phase I study (AB011-ST-01, NCT04400383) is conducted to evaluate the safety and preliminary efficacy in patients with advanced solid tumors as monotherapy (Stage 1) and AB011 plus chemotherapy (Stage 2). The updated results were presented in a poster titled 'A Multicenter, Phase 1 Study of AB011, a Recombinant Humanized Anti-Claudin18.2 Monoclonal Antibody, as Monotherapy and Combined with Capecitabine and Oxaliplatin (CAPOX) in Patients with Advanced Solid Tumors' at ASCO GI in January 2023.

We may not be able to ultimately develop and market AB011 successfully.

IND-Enabling or Preclinical Stage Product Candidates

In addition to the above clinical-stage product candidates currently in clinical phase, we have internally developed eight IND-enabling or preclinical product candidates as described below. Five of these products, CT0180, CT0181, CT0590, CT048 and CT071 are already in the IIT clinical stage.

CT0180 is an autologous T-cell product engineered to express a fusion protein of GPC3-targeted antibody and T-cell receptor. An IIT has been initiated in China to evaluate the safety and efficacy of CT0180 in the treatment of hepatocellular carcinoma.

CT0181 is an autologous T-cell product engineered to express a fusion protein of GPC3-targeted antibody and T-cell receptor and co-express the interleukin (IL)-7 cytokine. An IIT has been initiated in China to evaluate the safety and efficacy of CT0181 in the treatment of hepatocellular carcinoma.

CT0590 is an allogeneic CAR T-cell product candidate deploying our THANK-uCAR® technology that targets BCMA for the treatment of R/R MM. An IIT has been initiated in China to evaluate the safety and efficacy of CT0590 for the treatment of R/R MM.

CT048 is a next-generation autologous CAR T-cell product candidate developed with our CycloCAR® technology to treat patients with Claudin18.2-positive GC/GEJ and PC. We anticipate that by co-expressing cytokine IL-7 and chemokine CCL21, CT048 potentially has a greater clinical efficacy and reduced requirement for lymphodepletion conditioning. An IIT has been initiated in China to evaluate the safety and efficacy of CT048 for the treatment of GC/GEJ and PC.

CT071 is a CAR T-cell product candidate developed with an undisclosed proprietary technology of CARsgen targeting G protein-coupled receptor, class C, group 5, member D (GPRC5D) for the treatment of R/R MM. An IIT has been initiated in China to evaluate the safety and efficacy of CT071 for the treatment of R/R MM.

KJ-C2113 is a next-generation autologous CAR T-cell product candidate developed with our CycloCAR® technology that targets mesothelin, a tumor differentiation antigen normally restricted to the body's mesothelial surfaces, that is significantly overexpressed in a broad range of solid tumors. We are developing KJ-C2113 for the treatment of various types of solid tumors.

KJ-C2114 is an allogeneic CAR T-cell product candidate deploying our THANK-uCAR® technology with an undisclosed target for the treatment of certain solid tumors.

KJ-C2320 is a CAR T-cell product candidate deploying an undisclosed proprietary technology of CARsgen with an undisclosed target for the treatment of acute myeloid leukemia.

Continuous Discovery and Technology Development

Despite the approval of some CAR T-cell products for the last-line treatment of hematologic malignancies, significant challenges remain, such as limited efficacies against solid tumors, undesirable safety concerns, and high manufacturing and treatment costs. We strive to explore and develop innovative technology platforms to address these challenges to generate better cell therapy products to global cancer patients.

We have established an integrated research and development platform covering the full CAR T development cycle including target discovery, antibody development, vector design, manufacturing, quality assurance, and quality control. Our integrated cell therapy platform is composed of target discovery, hybridoma and antibody humanization platform, fully human phage display antibody library platform, antibody identification platform, immune cell function evaluation platform, plasmid and lentiviral vector preparation platforms, cell therapy process development platform, analytical platforms with molecular, flow cytometry, biochemical, physical-chemical, and cell-based analytical capabilities, biological samples tests platform, clinical-scale and commercial-scale CAR T manufacturing platform, and platform for clinical studies. This platform enables us to develop a product candidate efficiently and effectively from early discovery to clinical trials and potentially to commercialization.

We continue to dedicate ourselves to advancing innovative CAR T technologies to address the major challenges of the industry. Our four strategic pillars include:

(1) **Efficacy**: To enhance efficacy against solid tumors, we continue to develop next-generation CAR T technologies, such as CycloCAR®. CycloCAR® features the co-expression of cytokine IL-7 and chemokine CCL21 in CAR T cells to potentially improve clinical efficacy and reduce the requirement of lymphodepletion conditioning. Our preclinical studies showed that IL-7 enhanced the proliferation and survival of CAR T cells and inhibited the apoptosis of CAR T cells, and CCL21 could drive infiltration of T cells and dendritic cells into tumor sites. The preclinical CycloCAR T cells improved the therapeutic effects against solid tumors in mice when compared with conventional CAR T cells. Moreover, even without preconditioning chemotherapy, the CycloCAR T cells could potently suppress the tumor growth with a significantly better efficacy than CAR T cells co-expressing IL-7 and CCL19 (7×19 CAR T, a previously reported design by other researchers). Our studies demonstrated that, independent of lymphodepletion chemotherapy, CycloCAR T cells exerted potent antitumor effects that were facilitated by infiltration of T cells and dendritic cells into tumor tissues, CycloCAR T cells experienced increased survival, and a potential anti-angiogenesis effect. We are using CycloCAR® to develop CAR T-cell therapies against several targets including Claudin18.2, GPC3, and mesothelin. We continue to explore potential combination approaches to boost the therapeutic effects of single agents and identify new targets and approaches to tackle new indications.

(2) **Safety**: To minimize safety concerns, we continue to develop innovative technologies that can help reduce the risk of CRS, neurotoxicity and on-target off-tumor toxicities and to improve applicability of adoptive cell therapies. We leverage our in-house antibody platform, powered by a fully human phage display library and improved hybridoma technology, to identify and optimize antibody fragments with higher specificity for tumor targets and increased stability, which lead to reduced auto-activation of CAR T cells in the absence of tumor targets and controlled levels of cytokine release. As evidence of our antibody engineering capabilities, we have developed zevor-cel, which did not induce Grade 3 or higher CRS in the IITs or in the Phase I clinical trials and reduced the need for anti-IL-6 medication and other immunosuppressant mediation (data as of the respective data cutoff dates for the ongoing IITs and clinical trials).

To improve the applicability of adoptive cell therapies, we developed the sFv-ε-based T-cell therapy powered by a full T-cell receptor (TCR) complex comprising a GPC3-targeted scFv and a CD3ε subunit, which can form a functional TCR complex with other TCR subunits (TCRα, TCRβ, CD3γ, CD3δ and CD3ζ) and redirect T cells to kill tumor cells in an MHC-independent manner. Our preclinical studies showed that sFv-ε-based T-cell therapies could effectively recognize and kill carcinoma cells and significantly inhibit tumor growth in mouse xenograft models with reduced cytokine release in vitro and in vivo, which could improve the safety and applicability of adoptive cell therapies. In addition, the co-expressed IL-7 is a cytokine that could enhance the proliferation and survival of T cells. Our preclinical studies showed that sFv-ε-based T-cell therapies displayed superior antitumor efficacy, T-cell persistence, and immunological memory in solid tumors xenografts with low cytokine release.

(3) **Patient accessibility**: To reduce the cost and increase the accessibility of CAR T-cell therapies, we continue to develop our market-differentiating allogeneic THANK-uCAR® technology. THANK-uCAR® is our proprietary technology to generate allogeneic CAR T cells with improved expansion and persistence by modifying donor-derived T cells. To minimize graft versus host disease (GvHD) and host versus graft response (HvGR) from allogeneic T cells, we disrupt the genomic loci encoding TCR and β2 microglobulin (B2M) to eliminate surface expression of the TCR or the human leukocyte antigen (HLA), an approach that has been validated by previous research. However, natural killer (NK) cells attack T cells without HLA expression, which then limits the expansion and persistence of the allogeneic CAR T cells. To protect the allogeneic CAR T cells from the patient's NK cells, we arm these TCR-/HLA- CAR T cells with a CAR that recognizes NKG2A to hinder the NKG2A-positive NK cell rejection of the CAR T cells and therefore allow the THANK-uCAR T cells to resist the attack by NK cells. Our in vitro and in vivo studies demonstrated that the armoring the TCR-/HLA- CAR T cells with the anti-NKG2A CAR resulted in improved expansion in the presence of NK cells. We are developing allogeneic CAR T-cell product candidates using THANK-uCAR® technology, which we believe could potentially increase CAR T cell expansion, persistence and efficacy. We believe the successful application of THANK-uCAR® technology would significantly lower the cost of CAR T-cell therapy and increase patient accessibility.

(4) **Target availability**: In the development of cancer therapies, the expression of tumor-associated antigens in normal tissues poses a significant challenge, as this expression pattern leads to on-target off-tumor toxicities. To resolve the challenge with target availability, we continue to explore innovative technologies to enhance drug target availability and therefore turn undruggable antigens into promising targets. We developed LADAR® technology (local action driven by artificial receptor), in which an artificial receptor is triggered by a LADAR Ligand to induce the transcription of the gene(s) of interest (e.g., the tumor antigen-targeted CAR, plus any cytokines or other therapeutic mediators). Through the LADAR® artificial receptor, the antitumor CAR transcription is only triggered when the LADAR binds to a LADAR Ligand, making it possible to precisely control when and where immune cells act against cancer cells.

The LADAR-CAR signaling circuits require both antigens for LADAR® and CAR recognition to kill target cells, thus reducing on-target off-tumor effects when these two antigens are not simultaneously expressed in the same normal tissues. In our in vitro studies, the LADAR® system induced strong therapeutic gene expression in response to antigen engagement and, importantly, negligible leakage expression in resting cells. LADAR-CAR T cells executed killing function only if both antigens were present.

We are also working on other applications of LADAR® system, such as LADAR-cytokine circuits. We believe that the establishment of LADAR® system is the key step to developing CAR T cells with powerful and precise killing of cancer.

To develop effective CAR T-cell products for more cancer types and further enhance the antitumor effect, we have been expanding our research to more promising oncology targets for cell therapies. In addition, leveraging our proprietary antibody platforms, we have successfully developed humanized or fully human antibodies against these targets, such as GPRC5D, B7-H3, etc. These antibodies, together with our CAR T-cell technology platforms, will help further enhance the product pipeline.

These technologies are currently being developed in-house with global rights and can be used alone or in combination to upgrade our existing product candidates and to generate future pipeline product candidates.

Utilizing these technologies, we strive to further enrich our product pipeline and subsequently progress to these pipeline product candidates clinical and commercial stage.

As of June 30, 2023, we had more than 300 patents of which 101 patents had been issued globally including China, the United States, Europe, and Japan. This status is an increase of 9 issued patents and 24 patent applications from the end of 2022. Our R&D activities would continue to generate substantial intellectual property in our areas of expertise.

Manufacturing

We have established in-house GMP-compliant manufacturing capabilities to support vertically integrated CAR T manufacturing, including plasmids, lentiviral vectors, and CAR T-cell production. The vertically integrated production contributes to increased efficiency and enhanced control, resulting in improved drug product consistency and faster turnaround times for patients, especially for patients with rapidly progressing solid tumors. The integrated manufacturing will also significantly reduce costs and improve margins for more advantageous commercialization.

We have been expanding our manufacturing capacity in China and the U.S. to support both the clinical trials and the subsequent commercialization of our pipeline products.

Our clinical manufacturing facility in Xuhui, Shanghai with a total gross floor area (GFA) of approximately 3,000 sq.m. and an annual CAR T production capacity to support the CAR T-cell treatment of 200 patients has been used for clinical manufacturing of CAR T-cell products in supporting multiple clinical studies of our leading assets. Since establishment, our Xuhui facility has achieved over 95% manufacturing success rate for all product candidates.

We have also completed the construction of our commercial-scale manufacturing facility located in Jinshan, Shanghai with a total GFA of approximately 7,600 sq.m. and an estimated manufacturing capacity to support CAR T-cell treatment of up to 2,000 patients annually. The Jinshan Manufacturing Facility passed the on-site inspection conducted by the Shanghai Medical Products Administration (SHMPA) and obtained the first Manufacture License for Pharmaceutical Products issued in China for CAR T-cell therapy.

With the clinical manufacturing facility in Xuhui, Shanghai, and the commercial manufacturing facility in Jinshan, Shanghai, we can produce the lentiviral vectors and CAR T cells in-house to support clinical trials and CAR T-cell commercialization in China. We also provide the lentiviral vectors to clinical trials outside of China.

We have made significant progress in expanding CARsgen's manufacturing capacity outside China by launching a state-of-the-art GMP Manufacturing Facility in Research Triangle Park, Durham, North Carolina. We successfully passed the official inspections and received the Certificate of Compliance from the City-County Inspections Department of Durham. The RTP Manufacturing Facility, which the technology transfer has been completed, is now in full operation.

The RTP Manufacturing Facility, with a total GFA of approximately 3,300 sq.m, will provide CARsgen with additional manufacturing capacity of autologous CAR T-cell products for 700 patients annually. CARsgen has started building a world-class Chemistry, Manufacturing and Controls (CMC) team for the RTP Manufacturing Facility operations. The RTP Manufacturing Facility now is supporting CARsgen's ongoing clinical studies of zevor-cel and CT041 and also will support early commercial launch in the United States, Canada and Europe.

By building vertically integrated manufacturing capabilities in-house, we expect to significantly increase manufacturing sustainability, reduce manufacturing costs, and shorten the vein-to-vein time. In addition, we have an in-house GMP-compliant manufacturing facility capable of high yield production of lentiviral vectors. To accelerate the clinical production at the RTP Manufacturing Facility, CARsgen Jinshan Manufacturing Facility will provide the lentiviral vector to support CAR T-cell production for zevor-cel and CT041 clinical studies in the United States and Canada. With large scale lentiviral vectors production, we could greatly reduce the CAR T manufacturing costs.

Commercialization and External Collaboration

In formulating our strategies for the commercialization of our innovative CAR T-cell products, we have been carefully evaluating the different available options while considering the company's strategic development goals at different stages, the resources, the capabilities, and the financial implications. For the commercialization of zevor-cel in China, we have conducted thorough analysis for the two options of commercialization by ourselves or partnering with a company with established commercial network and capabilities.

Collaboration for zevor-cel commercialization in mainland China with Huadong Medicine

In January 2023, CARsgen and Huadong Medicine (Hangzhou) Co., Ltd., a wholly-owned subsidiary of Huadong Medicine entered into a collaboration agreement for the commercialization of zevor-cel in mainland China. Under the terms of the Agreement, CARsgen will receive an upfront payment of RMB200 million and is eligible to receive regulatory and commercial milestone payments up to RMB1,025 million. CARsgen will continue to be responsible for the development, regulatory approval, and manufacturing of zevor-cel in mainland China.

Huadong Medicine's extensive commercialization experience in mainland China along with their strategic goal of being a leader in the oncology therapeutic area created the opportunity for a strong, strategic and mutually beneficial partnership between our two companies. We believe that the partnership with Huadong Medicine, through leveraging the respective strengths of the two companies, can significantly maximize the commercial successes of zevor-cel in the market while reduce the risk and associated cost. Since reaching the agreement, teams from CARsgen and Huadong Medicine have been working together closely to implement this collaboration and prepare for the approval and commercialization of zevor-cel in China.

License Agreement for zevor-cel in the Republic of Korea with HK Inno.N Corporation

CARsgen has entered into a licensing agreement with HK Inno.N Corporation (KOSDAQ: 195940), a fully-integrated pharmaceutical company, to develop and commercialize CT032 and zevor-cel, targeting CD19 and BCMA respectively, for the potential treatment of various cancers in the Republic of Korea. Under the terms of the agreement, CARsgen will receive upfront and additional milestone payments totaling up to USD50 million as well as up to double digit royalties on net sales in the Republic of Korea.

Expansion and Retention of Talent

As of June 30, 2023, we had a total of 525 employees.

CARsgen continuously invests in talent development. New employees from various subsidiaries and departments completed new hire orientation training. The training expedited the new employee's integration into CARsgen. Performance management workshops were organized, mainly targeting management personnel. Through case discussions and other activities, the participants deepened their understanding and insights into strategic goal decomposition, cross-department goal alignment, and setting challenging objectives. CARsgen also accelerated the development of talents with global experience and perspective offering job rotations and overseas assignments.

Industry Overview

As a novel treatment modality, CAR T-cell therapy offers breakthrough efficacy and curative potential for cancer patients. The global CAR T-cell therapy market has been experiencing strong growth since the approval of the first CAR T-cell therapy in 2017. The global CAR T-cell therapy market is further driven by the increases in global cancer incidence, the approval of more CAR T-cell therapies in more cancer types and indications, the improvements in manufacturing technology and capacities, and the availability of CAR T-cell products in more markets. As of the date of this report, there are six CAR T-cell products approved by U.S. FDA and three CAR T-cell products approved by NMPA in China. However, there are still significant unmet medical needs for the cancer patients worldwide, calling for more and better innovative CAR T-cell products, particularly for the treatment of solid tumors. With our pipeline products, including zevor-cel and CT041, and innovative technology platforms, including CycloCAR®, THANK-uCAR® and LADAR®, we are committed to developing the innovative therapies to fulfill these unmet medical needs.

Future and Outlook

With the mission of "making cancer curable", we will continue to develop innovative product candidates for the treatment of cancer patients worldwide. Building on the milestones achieved, we will continue to focus on rapid clinical development of zevor-cel and CT041 both in China and overseas. We will advance the clinical development to earlier line of treatment and continue to develop other product candidates in clinical and preclinical stages and to develop innovative CAR T technologies to further optimize the efficacy, safety and affordability of the CAR T-cell products. We will continue to expand our manufacturing capacity in China and the United States to support the clinical trials and future commercialization of our product candidates and to make CAR T-cell treatments more accessible and affordable. We will continue to establish additional external partnerships with leading research institutes and pharmaceutical companies on technology and product licenses as means to maximize the application of our technology platform and the value of our product pipeline, bringing more innovative cell therapy products to cancer patients worldwide and ultimately creating more value for our investors and the society.

III. FINANCIAL REVIEW

Overview

We have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in every year since inception, with operating losses of RMB409 million and RMB368 million for the six months ended June 30, 2023 and 2022, respectively. Substantially all of our operating losses resulted from research and development expenses, administrative expenses and the turnaround from net foreign exchange gains for the six months ended June 30, 2022 to net foreign exchange losses for the six months ended June 30, 2023.

Loss for the Periods

Net loss was RMB404 million for the six months ended June 30, 2023, representing an increase of RMB28 million from RMB376 million for the six months ended June 30, 2022. The increase was primarily due to higher research and development expenses and the turnaround from net foreign exchange gains for the six months ended June 30, 2022 to net foreign exchange losses for the six months ended June 30, 2023.

Non-IFRS Measures

To supplement the Group's consolidated net loss and net loss per share which are presented in accordance with the IFRS, the Company has provided adjusted net loss and adjusted net loss per share as additional financial measures, which are not required by, or presented in accordance with, the IFRS.

Adjusted net loss for the periods and adjusted net loss per share for the periods represent the net loss and net loss per share respectively excluding the effect of a non-cash item, namely the share-based compensation. The terms adjusted net loss and adjusted net loss per share are not defined under the IFRS.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the periods	**(404,472)**	(376,338)
Add:		
Share-based compensation	**18,746**	23,450
Adjusted net loss	**(385,726)**	(352,888)

	Six months ended June 30,	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Loss per share for the periods	**(0.73)**	(0.69)
Add:		
Share-based compensation per share	**0.03**	0.04
Adjusted net loss per share	**(0.70)**	(0.65)

The Company believes that the adjusted non-IFRS measures are useful for understanding and assessing the underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business. These non-IFRS measures, as the management of the Group believes, is widely accepted and adopted in the industry in which the Group is operating. However, the presentation of these non-IFRS measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS, and these non-IFRS measures may not be comparable to similarly-titled measures represented by other companies.

Research and Development Expenses

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**137,294**	144,371
Testing and clinical expenses	**101,474**	108,336
Research and development consumables	**28,691**	24,200
Depreciation of property, plant and equipment	**28,386**	13,984
Utilities	**9,238**	6,820
Depreciation of right-of-use assets	**8,318**	11,443
Amortization of intangible assets	**2,999**	2,681
Travelling and transportation expenses	**2,994**	1,628
Professional service fees	**1,532**	770
Short-term lease and low-value lease expenses	**516**	325
Other expenses	**1,871**	1,746
Total	**323,313**	316,304

Research and development expenses increased to RMB323 million for the six months ended June 30, 2023, representing an increase of RMB7 million from RMB316 million for the six months ended June 30, 2022, primarily due to increased depreciation of property, plant and equipment for testing and productions in support of our clinical trials.

Administrative Expenses

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**35,819**	35,295
Professional service fees	**9,047**	9,548
Office expenses	**5,212**	4,798
Depreciation of property, plant and equipment	**2,414**	5,154
Travelling and transportation expenses	**1,944**	1,010
Auditors' remuneration	**1,815**	1,422
– audit service	**1,630**	1,422
– non-audit service	**185**	–
Depreciation of right-of-use assets	**1,278**	1,458
Amortization of intangible assets	**660**	472
Utilities	**542**	803
Short-term lease and low-value lease expenses	**292**	178
Other expenses	**3,291**	2,843
Total	**62,314**	62,981

Administrative expenses are RMB62 million for the six months ended June 30, 2023, representing a decrease of RMB1 million from RMB63 million for the six months ended June 30, 2022.

Details of employee benefit expenses and share-based payments included in the above administrative and research and development expenses are as below:

Employee benefit expenses

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages and salaries	**126,320**	132,622
Pension costs	**10,637**	9,757
Share-based compensation	**18,746**	23,450
Other employee benefits	**17,410**	13,837
Total	**173,113**	179,666
Amount included in research and development expenses	**137,294**	144,371
Amount included in administrative expenses	**35,819**	35,295

The decrease of employee benefit expenses is mainly due to lower headcount and the related decrease in staff salary and benefit costs which was partially offset by the annual growth of salaries.

Share-based payments

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Administrative expenses	**3,144**	3,736
Research and development expenses	**15,602**	19,714
Total	**18,746**	23,450

Liquidity and Capital Resources

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations. In addition, management monitors our borrowings and, from time to time, evaluates operations to renew our borrowings upon expiry based on our actual business requirements. We rely on equity financing and debt financing as our major sources of liquidity.

The following table sets forth our cash flows for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(141,845)**	(310,464)
Net cash (used in)/generated from investing activities	**(404,526)**	148,003
Net cash used in financing activities	**(7,504)**	(8,955)
Net decrease in cash and cash equivalents	**(553,875)**	(171,416)
Cash and cash equivalents at beginning of the period	**2,268,036**	691,284
Exchange (loss)/gain on cash and cash equivalents	**(30,240)**	80,162
Cash and cash equivalents at end of the period	**1,683,921**	600,030

Net Cash Used in Operating Activities

During the Reporting Period, we incurred negative cash flows from operations, and substantially all of our operating cash outflows resulted from our research and development expenses and administrative expenses.

Our net cash used in operating activities were RMB142 million and RMB310 million for the six months ended June 30, 2023 and 2022, respectively. During the Reporting Period, we received about RMB200 million (including VAT) from Huadong Medicine according to the collaboration agreement for the commercialization of zevor-cel in mainland China.

We are currently a pre-revenue and pre-income company. We believe our pipeline products have promising global market potential in the future. We intend to continue investing in our research and development efforts and aim to obtain marketing approvals for our product candidates as soon as feasible. As we launch and commercialize our product candidates, we expect to generate operating income and improve our net operating cash outflow position.

Net Cash Used in/Generated from Investing Activities

Our cash used in investing activities mainly reflects our cash used for our purchase of term deposits with original maturity between three and twelve months, property, plant and equipment and our cash generated from investing activities mainly reflects our net cash receipts from term deposits with original maturity between three and twelve months. For the six months ended June 30, 2023, our net cash used in investing activities was RMB405 million, which was primarily attributable to cash payment for investment of term deposit and purchase of equipment. For the six months ended June 30, 2022, our net cash generated from investing activities was RMB148 million, which was primarily attributable to net cash receipts from investment of term deposit and offset by cash used for purchase of equipment.

Net Cash Used in Financing Activities

For the six months ended June 30, 2023, our net cash used in financing activities was RMB8 million, primarily attributable to payment of principals and interest of lease liabilities and payment of principals of bank borrowings. For the six months ended June 30, 2022, our net cash used in financing activities was RMB9 million, which was primarily attributable to payment of principals and interest of lease liabilities and payment of interest on bank borrowing.

Cash and Cash Equivalents and Term Deposits with Original Maturity Between Three and Twelve Months

	As at June 30, 2023 ***RMB'000*** **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Cash at banks		
– RMB	**926,679**	906,855
– USD	**745,983**	1,357,360
– HKD	**11,259**	3,821
Subtotal	**1,683,921**	2,268,036
Term deposits with original maturity between three and twelve months		
– USD	**490,087**	–
Total	**2,174,008**	2,268,036

The Group's cash and cash equivalents and term deposits with original maturity between three and twelve months as at June 30, 2023 were RMB2,174 million, representing a decrease of RMB94 million compared to RMB2,268 million as at December 31, 2022. The decrease mostly resulted from our research and development expenses, administrative expenses and investment of CAPEX.

Borrowing and Gearing Ratio

The Group's total borrowings, including interest-bearing borrowings, as at June 30, 2023 were RMB5 million, representing a decrease of RMB2 million compared to RMB7 million as at December 31, 2022.

As at June 30, 2023 and December 31, 2022, the Group's bank borrowings of approximately RMB5 million and RMB7 million respectively are pledged by property, plant and equipment and right-of-use assets of the Group.

The fair values of the borrowings approximate their carrying amounts as the discounting impact is not significant.

As at June 30, 2023, the Group's secured borrowings are mature within one year with the interest rate of 5.2250% (2022: 5.2250%).

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at June 30, 2023 was 5.04%, representing an increase of 0.21% compared to 4.83% as at December 31, 2022.

Lease Liabilities

The Group leases land use right and properties. Lease on land use right has been fully paid and lease on properties were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowings rates of the Group.

Our lease liabilities decreased to RMB106 million as at June 30, 2023 from RMB112 million as at December 31, 2022, mainly due to some staff dormitories were expired.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2023, we did not hold any significant investments. During the six months ended June 30, 2023, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

We have transactional currency exposures. Certain of our bank balances, other receivables, and accruals and other payables are dominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors the economic situation and our Group's foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Capital Expenditure

For the six months ended June 30, 2023, the Group's total capital expenditure amounted to approximately RMB9 million, which was used in purchase of property, plant and equipment, and software.

Charge on Assets

As at June 30, 2023 and December 31, 2022, the Group's building with carrying values of RMB30 million and RMB31 million respectively were pledged for certain of the Group's borrowings. As at June 30, 2023 and December 31, 2022, the Group's land use rights with carrying values of RMB7 million and RMB7 million respectively were pledged as collateral for the Group's borrowings.

Contingent Liability

As at June 30, 2023, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

As of June 30, 2023, we had a total of 525 employees.

In compliance with the applicable labor laws, we enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for up to two years after the termination of his or her employment. The agreements also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment.

During the Reporting Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business. We believe we have not experienced any significant difficulty in recruiting staff for our operations. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols in China.

Our employees' remuneration consists of salaries, bonuses, share-based incentive plans, social insurance contributions and other welfare payments. In accordance with applicable laws, we have made contributions to social insurance funds (including pension plan, unemployment insurance, work-related injury insurance, medical insurance and maternity insurance, as applicable) and housing funds for our employees. During the Reporting Period and up to the Latest Practicable Date, we had complied with all statutory social insurance fund obligations applicable to us under PRC & US laws in all material aspects, and housing fund obligations applicable to us under PRC laws.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees, especially key employees.

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholder value. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limited to internal funds, bank loans and other methods. Currently, the bank credit lines available to the Group are adequate.

IV. PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable;

- We have net operating cash outflow during the Reporting Period;

- We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all;

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business;

- We may need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates;

- Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Risks Relating to Our Business

- We depend substantially on the success of our product candidates, most of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed;

- We operate in a rapidly changing industry and we face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do, or developing product candidates or treatments that are safer, more effective, more effectively marketed or cost less than ours, or receive regulatory approval or reach the market earlier. As a result, our product candidates may not achieve the sales we anticipate and could be rendered non-competitive or obsolete;

- Clinical development of biopharmaceutical products involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;

- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates;

- We may not be successful in our efforts to build or in-license a pipeline of new product candidates. If we fail to do so, our commercial opportunity will be limited;

- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or have a greater likelihood of success.

Risks Relating to Extensive Government Regulation

- All material aspects of the research, development, manufacturing and commercialization of biopharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards, or any adverse actions by the NMPA or other comparable regulatory authorities against us, could negatively impact our reputation and our business, financial condition, results of operations and prospects;

- The regulatory approval processes of the NMPA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or experience delays in obtaining, regulatory approval for our product candidates, our business will be substantially harmed;

- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs;

- Even if we are able to commercialize any approved product candidates, the products may become subject to unfavorable pricing regulations, or to unfavorable changes in national or third-party reimbursement practices, which could harm our business.

Risks Relating to Manufacturing of Our Product Candidates

- Our product candidates are cell therapies. The manufacture of our product candidates is complex, and we may encounter difficulties in production, particularly with respect to development or scaling-out of our manufacturing capabilities. If we encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped, or we may be unable to maintain a commercially viable cost structure.

Risks Relating to Commercialization of Our Product Candidates

- The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small, and our projections regarding the size of the addressable market may be incorrect;

- We currently have a limited marketing and sales organization and have no experience as a company in launching and marketing products. If we are unable to establish marketing and sales capabilities to market and sell our product candidates, we may not be able to generate product revenue or commercialize future product candidates. We may not be able to effectively build and manage our sales network;

- Product liability claims or lawsuits could cause us to incur substantial liabilities, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur;

- The increasing use of social media platforms presents new risks and challenges.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain adequate patent and other intellectual property protection for our product candidates and other intellectual property, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our product candidates or technologies may be adversely affected;

- If we determine that our intellectual property rights (including rights in-licensed from third parties) or other intangible assets are impaired, our results of operations and financial condition may be adversely affected;

- Even if we are able to obtain patent protection for our product candidates, the life of such protection, if any, is limited, and third parties could be able to circumvent our patents by developing similar or alternative products and technologies in a non-infringing manner, or develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially adversely affected.

For further details, please refer to the section headed "Risk Factors" in the Prospectus.

Corporate Governance and Other Information

I. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to the Shareholders for the Reporting Period.

II. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company for the Reporting Period.

III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. For the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for code provision C.2.1 described in the paragraph headed "C. Directors' Responsibilities, Delegation and Board Proceedings – C.2 Chairman and Chief Executive". The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. We do not have separate Chairman of the Board and CEO. Dr. Zonghai LI ("**Dr. LI**"), the Chairman of our Board and CEO, currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company, Dr. LI is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our CEO. Our Board also believes that the combined role of Chairman of the Board and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman of the Board and the CEO at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

IV. AUDIT COMMITTEE

The Audit Committee has three members comprising Ms. Xiangke ZHAO (chairman), Mr. Huaqing GUO and Dr. Huabing LI, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2023. The Audit Committee considers that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

V. CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE UNDER RULE 13.51B(1) OF THE LISTING RULES

On January 11, 2023, Dr. Chunhai FAN resigned from his position as an independent non-executive Director due to his other business commitments which require more of his attention and dedication. Following the resignation of Dr. Chunhai FAN, he also ceased to act as the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination and Corporate Governance Committee of the Company. Following the resignation of Dr. Chunhai FAN, the number of the independent non-executive Directors and the members of each of the Remuneration Committee, the Audit Committee and the Nomination and Corporate Governance Committee fell below the minimum number required under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

Dr. Huabing LI was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination and Corporate Governance Committee and a member of the Audit Committee with effect from March 9, 2023. Following the appointment of Dr. Huabing LI, the Company re-complied with relevant requirements under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

Mr. Tak Young SO resigned from his position as an independent non-executive Director with effect from June 30, 2023 due to his other business commitments which require more of his attention and dedication. Following the resignation of Mr. Tak Young SO, he also ceased to act as the chairman of the Audit Committee. Following the resignation of Mr. Tak Young SO, (i) the number of the independent non-executive Directors and the members of the Audit Committee fell below the minimum number required under Rules 3.10(1), 3.10A, and 3.21 of the Listing Rules; and (ii) the Company also failed to meet the requirement of at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules.

Subsequent to the Reporting Period, Ms. Xiangke ZHAO was appointed as an independent non-executive Director and the chairman of the Audit Committee with effect on July 4, 2023. Following the appointment of Ms. Xiangke ZHAO, the Company re-complied with relevant requirements under Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

Save as disclosed above, there were no other changes in the information of Directors and chief executive of the Company which shall be subject to disclosure according to Rule 13.51B(1) of the Listing Rules. For more details of changes of Directors mentioned above, please refer to announcements of the Company dated January 11, March 9, June 15 and July 4, 2023.

VI. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Position in the Shares of the Company

Name of Director/ Chief Executive	Capacity	Total number of Shares/ underlying Shares held	Approximate Percentage of Interest in the Company *(Note 3)*
Dr. Zonghai LI *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Mr. Bingsen GUO *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Dr. Huamao WANG *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Mr. Huaqing GUO *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Dr. Hua JIANG	Beneficial owner	3,037,156/ Long position	0.53%

Notes:

(1) YIJIE Biotech (BVI) holds 198,139,536 Shares of our Company, representing 34.44% of interest of our Company as at June 30, 2023. YIJIE Biotech (BVI) is owned as to 69.00%, 10.20%, 10.00%, 10.00% and 0.80% by CART Biotech, Redelle Holding, He Xi Holdings Limited, Candock Holdings Limited and Accure Biotech Limited (collectively, the "**Intermediary Entities**") respectively. The Intermediary Entities are wholly-owned by Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO and Mr. Haiou CHEN respectively.

(2) Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO, Mr. Haiou CHEN, the Intermediary Entities, Ms. Xuehong YANG, Yeed Holdings, Ms. Xiaojing GUO and Quanzhou Dingwo (LP) entered into the Concert Party Agreement on February 22, 2021 and each party is deemed to be interested in the Shares that the other parties are interested in under section 317 of the SFO. Each of Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO and Mr. Haiou CHEN, through the Intermediary Entities and YIJIE Biotech (BVI), are interested in 198,139,536 Shares of our Company, representing 34.44% of interest in our Company as at June 30, 2023. Ms. Xuehong YANG is interested in 8,888,888 Shares, representing 1.55% of interest in our Company through Yeed Holdings as at June 30, 2023. Ms. Xiaojing GUO is interested in 5,555,556 Shares, representing 0.97% of interest in our Company through Quanzhou Dingwo (LP) as of June 30, 2023. In addition, Mr. Haiou Chen was granted RSUs equivalent to 248,977 Shares and options with respect to 2,739,773 Shares subject to vesting or exercising under share schemes of the Company, of which 65,907 RSUs have been vested as of June 30, 2023. Therefore, Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO, Mr. Haiou CHEN, the Intermediary Entities, Ms. Xuehong YANG, Yeed Holdings, Ms. Xiaojing GUO and Quanzhou Dingwo (LP) are deemed to be interested in a total of 215,572,730 Shares, representing 37.47% of interest in our Company as at June 30, 2023.

(3) As at June 30, 2023, the total issued share capital of the Company was 575,323,662 Shares.

Save as disclosed above, none of the Directors or chief executive of the Company and their associates, had interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as at June 30, 2023.

VII. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of June 30, 2023, to the knowledge of our Company and the Directors after making reasonable inquiries, the following persons (other than the Directors and chief executives of our Company as disclosed above) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO:

Long Position in the Shares of the Company

Name of Shareholders	Capacity	Number of securities/ Nature of Shares held	Approximate percentage of interest in the Company *(Note 5)*
CART Biotech *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Redelle Holding *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
He Xi Holdings *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
CANDOCK Holdings Limited *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Mr. Haiou CHEN *(Note 1) (Note 2)*	Beneficial interest, interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Accure Biotech Limited *(Note 1) (Note 2)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Ms. Xuehong YANG *(Note 2) (Note 3)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Yeed Holdings *(Note 2) (Note 3)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Ms. Xiaojing GUO *(Note 2) (Note 4)*	Interest of controlled corporations and interest of party acting in concert	215,572,730/ Long position	37.47%
Quanzhou Dingwo (LP) *(Note 2) (Note 4)*	Beneficial interest and interest of party acting in concert	215,572,730/ Long position	37.47%
YIJIE Biotech (BVI) *(Note 1)*	Beneficial interest and interest of party acting in concert	215,572,730/ Long position	37.47%

Notes:

(1) YIJIE Biotech (BVI) holds 198,139,536 Shares of our Company, representing 34.44% of interest of our Company as at June 30, 2023. YIJIE Biotech (BVI) is owned as to 69.00%, 10.20%, 10.00%, 10.00% and 0.80% by the Intermediary Entities respectively. The Intermediary Entities are wholly-owned by Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO and Mr. Haiou CHEN respectively.

(2) Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO, Mr. Haiou CHEN, the Intermediary Entities, Ms. Xuehong YANG, Yeed Holdings, Ms. Xiaojing GUO and Quanzhou Dingwo (LP) entered into the Concert Party Agreement on February 22, 2021 and each party is deemed to be interested in the Shares that the other parties are interested in under section 317 of the SFO. Each of Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO and Mr. Haiou CHEN, through the Intermediary Entities and YIJIE Biotech (BVI), are interested in 198,139,536 Shares of our Company, representing 34.44% of interest in our Company as at June 30, 2023. Ms. Xuehong YANG is interested in 8,888,888 Shares, representing 1.55% of interest in our Company through Yeed Holdings as at June 30, 2023. Ms. Xiaojing GUO is interested in 5,555,556 Shares, representing 0.97% of interest in our Company through Quanzhou Dingwo (LP) as of June 30, 2023. In addition, Mr. Haiou Chen was granted RSUs equivalent to 248,977 Shares and options with respect to 2,739,773 Shares subject to vesting or exercising under share schemes of the Company, of which 65,907 RSUs have been vested as of June 30, 2023. Therefore, Dr. Zonghai LI, Mr. Bingsen GUO, Dr. Huamao WANG, Mr. Huaqing GUO, Mr. Haiou CHEN, the Intermediary Entities, Ms. Xuehong YANG, Yeed Holdings, Ms. Xiaojing GUO and Quanzhou Dingwo (LP) are deemed to be interested in a total of 215,572,730 Shares, representing 37.47% of interest in our Company as at June 30, 2023.

(3) Yeed Holdings holds 8,888,888 Shares in our Company, representing 1.55% of interest in our Company as at June 30, 2023. Yeed Holdings is wholly-owned by Ms. Xuehong YANG, the wife of our non-executive Director, Mr. Bingsen GUO.

(4) Quanzhou Dingwo (LP) holds 5,555,556 Shares in our Company, representing 0.97% of interest in our Company as at June 30, 2023. The general partner of Quanzhou Dingwo (LP) is Ms. Xiaojing GUO, the daughter of our non-executive Director, Mr. Bingsen GUO.

(5) As at June 30, 2023, the total issued share capital of the Company was 575,323,662 Shares.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2023, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

VIII. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, as of the end of the Reporting Period, none of the Directors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

IX. LEGAL PROCEEDINGS

As of June 30, 2023, as far as the Company is aware, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim of material importance was pending or threatened against or by the Company.

X. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

XI. USE OF PROCEEDS FROM THE IPO

The Company's shares were listed on the Stock Exchange on June 18, 2021 with a total of 94,747,000 offer shares issued and the net proceeds raised from the Global Offering were approximately HK$3,008 million. 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. There is no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows:

- approximately HK$902.4 million (US$115.7 million) (or approximately 30% of the net proceeds) to fund further development of our Core Product Candidate, BCMA CAR-T (CT053)
- approximately HK$932.5 million (US$119.6 million) (or approximately 31% of the net proceeds) to fund ongoing and planned research and development of our other pipeline product candidates
- approximately HK$601.6 million (US$77.2 million) (or approximately 20% of the net proceeds) for developing full-scale manufacturing and commercialization capabilities
- approximately HK$300.8 million (US$38.6 million) (or approximately 10% of the net proceeds) for continued upgrading of CAR-T technologies and early-stage research and development activities
- approximately HK$270.7 million (US$34.7 million) (or approximately 9% of the net proceeds) will be used for our working capital and other general corporate purposes

The net proceeds from the Global Offering have been utilized in accordance with the purposes set out in the Prospectus. The table below sets out the applications of the net proceeds and actual usage up to June 30, 2023:

Use of proceeds	Planned allocation of Net Proceeds *(HKD million)*	Planned allocation of Net Proceeds *(RMB million)*	Utilized amount (as at December 31, 2022) *(RMB million)*	Utilized for the six months ended June 30, 2023 *(RMB million)*	Utilized amount (as at June 30, 2023) *(RMB million)*	Remaining amount (as at June 30, 2023) *(RMB million)*
Further development of our Core Product Candidate, BCMA CAR-T (CT053)	902.4	832.0	302.3	148.0	450.3	381.7
Ongoing and planned research and development of our other pipeline product candidates	932.5	859.8	324.6	113.5	438.1	421.7
Developing full-scale manufacturing and commercialization capabilities	601.6	554.7	278.5	13.4	291.9	262.8
Upgrading of CAR-T technologies and early – stage research and development activities	300.8	277.3	68.0	37.4	105.4	171.9
Working capital and other general corporate purposes	270.7	249.6	93.9	70.7	164.6	85.0
Total	**3,008.0**	**2,773.4**	**1,067.3**	**383.0**	**1,450.3**	**1,323.1**

The unutilized amount of net proceeds is expected to be fully utilized by 2026.

The above RMB amounts were converted using the June 30, 2023 rate of HK$1 to RMB0.922.

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this interim report, the Group has no significant events occurred after the Reporting Period which require additional disclosures or adjustments as at the date of this interim report.

XIII. CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in the interim report, the Company does not have any disclosure obligations under Rule 13.20, 13.21 and 13.22 of the Listing Rules.

XIV. SHARE INCENTIVE SCHEMES

We have adopted three share incentive schemes, collectively referred to as Share Incentive Schemes.

2019 EQUITY INCENTIVE SCHEME

Our Company adopted the 2019 Equity Incentive Plan on January 22, 2019. The purpose of the 2019 Equity Incentive Plan is to attract, motivate, retain and reward certain employees, Directors, and certain other eligible persons of our Group. The 2019 Equity Incentive Plan (i) does not involve any grant of options of the Company to subscribe for new Shares after the IPO, and (ii) only involves the grant of restricted share units after the IPO.

On May 11, 2021, our Company allotted and issued 12,497,947 Shares to Carfa Unity Limited and 7,125,575 Shares to Carfe Unity Limited, both of which are wholly-owned by the 2019 Equity Incentive Plan Trustee. Such Shares have been held in trust by the 2019 Equity Incentive Plan Trustee to facilitate the transfer of Shares to the grantees upon vesting of the relevant options and share awards.

As of June 30, 2023, a total of 12,181,986 options were outstanding and 532,104 share awards (in the form of RSUs) were unvested under the 2019 Equity Incentive Plan. The numbers of share awards available for grant under the 2019 Equity Incentive Plan on January 1, 2023 and June 30, 2023 are 5,587,316 and 5,868,823 respectively. No service provider sub-limit has been set for the 2019 Equity Incentive Plan. No option or share award was granted under the 2019 Equity Incentive Plan during the Reporting Period.

The table below shows the details of outstanding share options granted under the 2019 Equity Incentive Plan.

		Number of options during the Reporting Period									
Name of Grantee	Number of Shares subject to outstanding options as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of Shares subject to outstanding options as at June 30, 2023	Date of grant of share options	Exercise Period	Vesting Period	Weighted average closing price of the shares immediately before the dates on which the options were exercised	Exercise price
1. Substantial Shareholder											
Mr. Haiou CHEN	2,539,773	0	0	0	0	2,539,773	December 28, 2020	December 28, 2020 – December 27, 2028	March 31, 2017 – March 30, 2020	–	US$0.04 per Share
2. Employees	10,356,450	0	688,834	0	25,403	9,642,213	December 28, 2020	December 28, 2020 – December 27, 2028	Three or four years from the vesting commencement date stipulated in relevant grant letters	HK$14.08	US$0-1.40 per Share
Total:	12,896,223	0	688,834	0	25,403	12,181,986					

Notes:

(i) No grant of options under the 2019 Equity Incentive Plan would be made after the IPO.

(ii) Save as disclosed otherwise above, no option was granted under the 2019 Equity Incentive Plan to (a) any director, chief executive or substantial shareholder of the Company, or their respective associates; or (b) related entity participant or service provider, before the IPO and still being outstanding as at January 1, 2023.

(iii) No participant has been granted with options and awards in excess of the 1% individual limit.

The table below shows the details of unvested share awards granted under the 2019 Equity Incentive Plan.

		Number of RSUs during the Reporting Period							
Name of Grantee	Number of Shares subject to unvested RSUs as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of Shares subject to unvested RSUs as at June 30, 2023	Date of grant of RSUs	Weighted average closing price of the shares immediately before the dates on which the share awards were vested	Vesting Period
1. Substantial Shareholder									
Mr. Haiou CHEN	11,001	0	2,664	0	0	8,337	July 22, 2021	HK$14.30	July 22, 2022-July 21, 2025
	232,977	0	58,244	0	0	174,733	March 24, 2022	HK$14.44	March 24, 2023-March 23, 2026
2. Employees	846,682	0	216,141	0	281,507	349,034	July 22, 2021	HK$15.20	July 22, 2022-July 21, 2025
Total:	1,090,660	0	277,049	0	281,507	532,104			

Notes:

(i) The purchase price of all RSUs mentioned in the table above is nil, and there is no performance target attached to these RSUs granted.

(ii) No grant of share awards under the 2019 Equity Incentive Plan were made during the Reporting Period.

(iii) Save as disclosed otherwise above, no share award was granted under the 2019 Equity Incentive Plan to (a) any director, chief executive or substantial shareholder of the Company, or their respective associates; or (b) related entity participant or service provider, before the Reporting Period and still being outstanding as at January 1, 2023.

(iv) No participant has been granted with options and awards in excess of the 1% individual limit.

POST-IPO RSU SCHEME

Our Company adopted the Post-IPO RSU Scheme on April 30, 2021. The purpose of the Post-IPO RSU Scheme is to align the interests of the eligible persons with those of our Group through ownership of Shares to encourage and retain them to make contributions to the long-term growth and profits of our Group.

As of June 30, 2023, a total of 3,650,717 share awards (in the form of RSUs) were unvested under the Post-IPO RSU Scheme. The numbers of share awards available for grant under the Post-IPO RSU Scheme on January 1, 2023 and June 30, 2023 are 20,802,370 and 18,957,733 respectively. No service provider sub-limit has been set for the Post-IPO RSU Scheme. The numbers of Shares that may be issued in respect of share awards granted under the Post-IPO RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.35%.

The table below shows the details of unvested share awards granted under the Post-IPO RSU Scheme.

		Number of RSUs during the Reporting Period							
Name of Grantee	Number of Shares subject to unvested RSUs as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of Shares subject to unvested RSUs as at June 30, 2023	Date of grant of RSUs	Weighted average closing price of the shares immediately before the dates on which the share awards were vested	Vesting Period
Employees	1,685,000	0	0	0	92,000	1,593,000	October 21, 2022	–	October 22, 2023-October 21, 2026
	161,438	0	40,358	0	1,125	119,955	March 24, 2022	HK$14.44	March 24, 2023-March 23, 2026
	0	2,012,554	0	0	74,792	1,937,762	April 13, 2023[(ii)(iii)]	–	April 13, 2024-April 13, 2027
Total:	1,846,438	2,012,554	40,358	0	167,917	3,650,717			

Notes:

(i) The purchase price of all RSUs mentioned in the table above is nil, and there is no performance target attached to these RSUs granted.

(ii) The closing price per ordinary share of the Company is HK$14.18 on April 12, 2023, being the business day immediately before April 13, 2023. As the purchase price is nil, the fair value of RSUs granted on April 13, 2023 at the date of grant is HK$14.46, which equals to the closing price per ordinary share of the Company on April 13, 2023. For more details of the accounting standard and policy adopted for determining the fair value of the RSUs granted, please refer to Note 2.22 to the consolidated financial statements in the 2022 annual report of the Company.

(iii) Please refer to the announcement of the Company dated April 13, 2023 for details.

(iv) No grant of share awards under the Post-IPO RSU Scheme has been made to any director, chief executive or substantial shareholder of the Company, or their respective associates.

(v) No participant has been granted with options and awards in excess of the 1% individual limit.

(vi) No grant has been made under the Post-IPO RSU Scheme to related entity participant or service provider.

POST-IPO SHARE OPTION SCHEME

Our Company adopted the Post-IPO Share Option Scheme on April 30, 2021. The purpose of the Post-IPO Share Option Scheme is to reward employees for their past contribution to the success of the Company and to provide incentives to them to further contribute to the Company.

As of June 30, 2023, a total of 8,883,530 options were outstanding under the Post-IPO Share Option Scheme. The numbers of options available for grant under the Post-IPO Share Option Scheme on January 1, 2023 and June 30, 2023 are 39,501,654 and 36,414,087 respectively. No service provider sub-limit has been set for the Post-IPO Share Option Scheme. The numbers of Shares that may be issued in respect of option granted under the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.59%.

The table below shows the details of outstanding options granted under the Post-IPO Share Option Scheme.

		Number of options during the Reporting Period								
Name of Grantee	Number of Shares subject to outstanding options as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Number of Shares subject to outstanding options as at June 30, 2023	Date of grant of share options	Exercise Period	Vesting Period	Exercise price
1. Substantial Shareholder										
Mr. Haiou CHEN	0	200,000	0	0	0	200,000	April 13, 2023(iii)(iv)(v)	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	April 13, 2024-April 13, 2027	HK$14.46 per Share
2. Director										
Dr. Hua JIANG	36,164	0	0	0	0	36,164	March 24, 2022	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	March 24, 2023-March 24, 2026	HK$16.32 per Share
	0	120,000	0	0	0	120,000	April 13, 2023(iii)(iv)(v)	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	April 13, 2024-April 13, 2027	HK$14.46 per Share
3. Employees	972,000	0	0	0	0	972,000	October 21, 2022	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	April 7, 2023-October 21, 2026	HK$13.58 per Share
	4,108,723	0	0	0	247,648	3,861,075	March 24, 2022	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	March 24, 2023-March 24, 2026	HK$16.32 per Share
	679,076	0	0	0	785	678,291	July 22, 2021	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	July 22, 2022-July 21, 2025	HK$31.00 per Share
	0	3,074,000	0	0	58,000	3,016,000	April 13, 2023(iii)(iv)(v)	The Options may be exercised during the period from the date of vesting to the 10th anniversary of the grant date.	April 13, 2024-April 13, 2027	HK$14.46 per Share
Total:	5,795,963	3,394,000	0	0	306,433	8,883,530				

Notes:

(i) There is no performance target attached to above options granted.

(ii) The closing price per ordinary share of the Company is HK$14.18 on April 12, 2023, being the business day immediately before April 13, 2023. Fair value of options granted on April 13, 2023 at the date of grant is HK$6.46.

(iii) Please refer to the announcement of the Company dated April 13, 2023 for details.

(iv) The fair value at grant date is independently determined using an adjusted Binomial option-pricing model that takes into account the exercise price, fair value of ordinary shares at the grant date, the term of the option, the expected price volatility, the expected dividend yield, the risk free interest rate.

The model inputs for options granted during the Reporting Period are:

Spot Price as of Valuation Date	HK$14.46
Risk-free Rate (continuous)	2.85%
Dividend Yield (continuous)	0.00%
Volatility	49.65%
Post-vesting Exit Rate (continuous)	4.88%
Exercise Price	HK$14.46
Exercise Multiple	2.2-2.8

The Directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the life of stock option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the stock option. Dividend yield is based on the directors' estimation at the grant date.

For more details of the accounting standard and policy adopted for determining the fair value of the Options granted, please refer to Note 2.22 to the consolidated financial statements in the 2022 annual report of the Company.

(v) Save as disclosed otherwise above, under the Post-IPO Share Options Scheme, (a) no grant of options has been made during the Reporting Period to any director, chief executive or substantial shareholder of the Company, or their respective associates, and (b) there is no option granted to any director, chief executive or substantial shareholder of the Company, or their respective associates before the Reporting Period and still being outstanding as at January 1, 2023.

(vi) No participant has been granted with options and awards in excess of the 1% individual limit.

(vii) No grant has been made under the Post-IPO Share Options Scheme to related entity participant or service provider.

The total number of Shares that may be issued in respect of options and awards granted under the Post-IPO RSU Scheme and Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.94%.

Summary of the Share Incentive Schemes

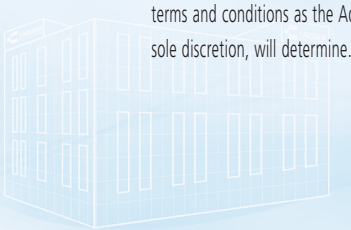
The principal terms and details of the Share Incentive Schemes are set out below:

Details	2019 Equity Incentive Plan	Post-IPO RSU Scheme	Post-IPO Share Option Scheme
1. Purpose	To secure and retain the services of eligible participants, to provide incentives for such persons to exert maximum efforts for the success of our Company and our affiliates, and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Shares through the granting of the Share Awards.	To align the interests of the eligible persons with those of our Group through ownership of Shares to encourage and retain them to make contributions to the long-term growth and profits of our Group.	To reward employees for their past contribution to the success of the Company and to provide incentives to them to further contribute to the Company.
2. Eligible Participants	Eligible persons include any person employed by our Company or our affiliates, any director of our Company or any of its subsidiaries, any person, including a consultant, who is (i) engaged by our Company or our affiliates to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of our affiliates and is compensated for such services.	Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors) or officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board, by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.	Any individual, being an employee, director or officer of any member of our Group who the Board may in its absolute discretion select to grant an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price.

Details	2019 Equity Incentive Plan	Post-IPO RSU Scheme	Post-IPO Share Option Scheme
3. Maximum number of Shares that can be awarded	Subject to capitalization adjustments, the aggregate number of Shares that may be issued pursuant to Share Awards shall not exceed 27,519,380 Shares. As at the Latest Practicable Date, the total number of Shares available for issue under the 2019 Equity Incentive Plan is 4,118,745, representing approximately 0.72% of the total issued Shares.	The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Award which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 5% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme without shareholders' approval, being 22,648,808 Shares. As at the Latest Practicable Date, the total number of Shares available for issue under the Post-IPO RSU Scheme is 18,957,733, representing approximately 3.29% of the total issued Shares.	The maximum number of Shares in respect of which Options may be granted under the Post-IPO Share Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Share Option Scheme (or of the refreshing of the 10% limit) by the shareholders of the Company, being 45,297,617 Shares. As at the Latest Practicable Date, the total number of Shares available for issue under the Post-IPO Share Option Scheme is 36,414,087, representing approximately 6.33% of the total issued Shares.
4. Maximum entitlement of each participant under the scheme	N/A	Save as prescribed in the scheme or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any Selected Participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.	Except with the approval of Shareholders in general meeting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.
5. Vesting Period	The total number of Shares subject to a Share Option may vest and therefore become exercisable in periodic installments that may or may not be equal. The Share Option may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions (including the vesting period) of each Share Option may vary.	The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.	The Board or its delegate(s) may from time to time while the Post-IPO Share Option Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Options to be vested.

Details	2019 Equity Incentive Plan	Post-IPO RSU Scheme	Post-IPO Share Option Scheme
6. Duration and remaining life	No Share Option shall be exercisable after the expiration of eight years from the date of its grant or such shorter period specified in a share award agreement. As at June 30, 2023, the remaining life of the 2019 Equity Incentive Plan was approximately three years and six months.	The Post-IPO RSU Scheme shall terminate on the earlier of: (i) the end of the period of ten years commencing on the date on which the Post-IPO RSU Scheme is adopted except in respect of any non-vested RSUs granted hereunder prior to the expiration of the Post-IPO RSU Scheme, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the Post-IPO RSU Scheme; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant. As at June 30, 2023, the remaining life of the Post-IPO RSU Scheme was approximately eight years.	The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Share Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the Post-IPO Share Option Scheme, but the provisions of this Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. As at June 30, 2023, the remaining life of the Post-IPO Share Option Scheme was approximately eight years.

Details	2019 Equity Incentive Plan	Post-IPO RSU Scheme	Post-IPO Share Option Scheme
7. Exercise price/ purchase price	The exercise price (or strike price) of each Share Option shall be determined in good faith by the Administrator and as set forth in a share award agreement. The consideration, if any, to be paid by the participant upon delivery of each Share subject to the restricted share unit award will be determined by the Board at the time of grant of such award.	No purchase price is to be paid by the participant upon vested of Awards granted under the Post-IPO RSU Scheme.	The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of: (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.
8. Exercise Period	No share option shall be exercisable after the expiration of eight years from the date of its grant or such shorter period specified in a share award agreement.	N/A	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan.
9. Consideration for Acceptance of Options or Awards	Each Option shall be in such form and shall contain such terms and conditions as the Administrator shall deem appropriate. All Options shall be separately designated Incentive Share Options or Nonstatutory Share Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for Shares purchased on exercise of each type of Option. Each Restricted Share Award will be evidenced by a Share Award Agreement that will specify the period of restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine.	The Company shall issue a letter to each Selected Participant in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority may from time to time determine, specifying the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, and the Vesting Date and such other details as the they may consider necessary.	An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the Grantee together with a payment to the Company and/or any of its Subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the company and/or its Subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable. To the extent that the offer of the grant of an Option is not accepted within 28 days after the Offer Date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.



Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Administrative expenses	8	**(62,314)**	(62,981)
Research and development expenses	8	**(323,313)**	(316,304)
Other income	6	**41,605**	10,388
Other (losses)/gains – net	7	**(65,208)**	1,205
Operating loss		**(409,230)**	(367,692)
Finance income		**7,299**	726
Finance costs		**(2,541)**	(9,372)
Finance income/(costs) – net	9	**4,758**	(8,646)
Loss before income tax		**(404,472)**	(376,338)
Income tax expense	10	**–**	–
Loss for the period and attribute to the equity holders of the Company		**(404,472)**	(376,338)
Other comprehensive income for the period:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of subsidiaries		**7,710**	(72,376)
Items that will not be reclassified to profit or loss			
Exchange differences on translation of the Company		**106,005**	215,132
Other comprehensive income for the period, net of tax		**113,715**	142,756
Total comprehensive loss for the period and attribute to the equity holders of the Company		**(290,757)**	(233,582)
Loss per share for the loss attributable to the equity holders of the Company			
Basic and diluted loss per share (in RMB)	11	**(0.73)**	(0.69)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**347,382**	363,850
Right-of-use assets	13	**70,286**	77,533
Intangible assets	14	**9,285**	14,476
Other non-current assets and prepayments	15	**4,915**	6,321
		431,868	462,180
Current assets			
Other receivables	16	**20,509**	11,834
Other current assets and prepayments	17	**18,572**	20,769
Term deposits with original maturity between three and twelve months	18	**490,087**	–
Cash and cash equivalents	18	**1,683,921**	2,268,036
		2,213,089	2,300,639
Total assets		**2,644,957**	2,762,819

Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**1**	1
Reserves	*23*	**2,205,593**	2,473,173
Total equity		**2,205,594**	2,473,174
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**–**	2,523
Lease liabilities	*25*	**89,879**	94,938
Deferred income	*26*	**15,677**	21,180
		105,556	118,641
Current liabilities			
Lease liabilities	*25*	**16,230**	17,134
Accruals and other payables	*27*	**116,688**	141,114
Current income tax payable		**1,391**	1,341
Contract liabilities	*28*	**188,679**	–
Deferred income	*26*	**5,840**	6,565
Borrowings	*24*	**4,979**	4,850
		333,807	171,004
Total liabilities		**439,363**	289,645
Total equity and liabilities		**2,644,957**	2,762,819

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Note	Attributable to equity holders of the Company			
		Share capital *RMB'000*	Other reserves *RMB'000 (Note 23)*	Accumulated losses *RMB'000*	Total *RMB'000*
(Unaudited)					
Balance at January 1, 2022		1	9,546,447	(6,549,788)	2,996,660
Loss for the period		–	–	(376,338)	(376,338)
Other comprehensive income	*23*	–	142,756	–	142,756
Total comprehensive loss		–	142,756	(376,338)	(233,582)
Transactions with owners					
Share-based compensation	*21*	–	23,450	–	23,450
Issue of shares at exercise of options related to employee share-based payment	*20*	–*	4,123	–	4,123
Total transactions with owners		–*	27,573	–	27,573
Balance at June 30, 2022		1	9,716,776	(6,926,126)	2,790,651
(Unaudited)					
Balance at January 1, 2023		**1**	**9,915,208**	**(7,442,035)**	**2,473,174**
Loss for the period		**–**	**–**	**(404,472)**	**(404,472)**
Other comprehensive income	*23*	**–**	**113,715**	**–**	**113,715**
Total comprehensive loss		**–**	**113,715**	**(404,472)**	**(290,757)**
Transactions with owners					
Share-based compensation	*21*	**–**	**18,746**	**–**	**18,746**
Issue of shares to employees under Employee Stock Option Scheme	*20*	**–***	**4,431**	**–**	**4,431**
Total transactions with owners		**–***	**23,177**	**–**	**23,177**
Balance at June 30, 2023		**1**	**10,052,100**	**(7,846,507)**	**2,205,594**

* The amounts are less than RMB1,000.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		**(149,114)**	(304,703)
Income tax paid		**–**	(6,487)
Interest received		**7,299**	726
Net cash outflow from operating activities		**(141,815)**	(310,464)
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment		**(8,018)**	(125,229)
Proceeds from disposals of property, plant and equipment		**51**	–
Government grant received in relation to acquisition of non-current assets		**2,169**	–
Refund of input VAT related to acquisition of non-current assets		**–**	12,131
Proceeds from lease incentive		**–**	16,373
Payments for term deposits with original maturity between three and twelve months		**(1,610,863)**	(3,076,831)
Proceeds from collection of term deposits with original maturity between three and twelve months		**1,205,884**	3,319,149
Interest received from term deposit with original maturity between three and twelve months		**7,182**	4,322
Payment for acquisition of intangible assets		**(931)**	(1,912)
Net cash (outflow)/inflow from investing activities		**(404,526)**	148,003
Cash flows from financing activities			
Proceeds from issue of shares to employees under Employee Stock Option Scheme		**4,431**	4,123
Principal element of lease payments		**(6,984)**	(5,555)
Interest paid for lease liabilities		**(2,344)**	(2,532)
Proceeds from bank borrowings		**–**	103,800
Repayments of bank borrowings		**(2,394)**	(102,274)
Interest paid for bank borrowings		**(213)**	(6,517)
Net cash outflow from financing activities		**(7,504)**	(8,955)
Net decrease in cash and cash equivalents		**(553,845)**	(171,416)
Cash and cash equivalents at beginning of the period	*18*	**2,268,036**	691,284
Exchange (losses)/gains on cash and cash equivalents		**(30,240)**	80,162
Cash and cash equivalents at end of the period	*18*	**1,683,951**	600,030

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

1. GENERAL INFORMATION

CARsgen Therapeutics Holdings Limited (hereinafter the "Company") was incorporated under the law of Cayman Islands as a limited liability company on 9 February 2018. The address of the Company's registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are a global clinical-stage biopharmaceutical company discovering, researching and developing cell therapies in the People's Republic of China (the "PRC") and United States of America (the "US").

The Company's shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 18, 2021 (the "Listing").

The condensed consolidated interim financial information were approved and authorized for issue by the board of directors of the Company on August 22, 2023.

2. BASIS OF PREPARATION

This condensed interim financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). This Condensed Interim Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2022 ("2022 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

Except for the newly effective standards, amendments and interpretations that became applicable to the Group first time in the six months ended June 30, 2023, the accounting policies applied are consistent with 2022 Annual Financial Statement.

The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. BASIS OF PREPARATION (continued)

2.1. New standards, amendments and interpretation adopted by the Group

The following new standards and amendments have been adopted by the Group for the financial period beginning on January 1, 2023:

- Insurance Contracts – IFRS 17
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

2.2. New standards, amendments and interpretation not yet adopted

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Certain new accounting standard, amendments and interpretation have been published but are not mandatory for the financial year beginning January 1, 2023 and have not been early adopted by the Group. These new accounting standard, amendments and interpretation are not expected to have a material impact on the Group's financial statements when they become effective.

3. ESTIMATION

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to those of the annual financial statements for the years ended December 31, 2022.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cashflow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with them as set out in the 2022 Annual Financial Statements.

There have been no changes in the risk management policies since December 31, 2022.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2. Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at June 30, 2023 (Unaudited)					
Accruals and other payables*	**78,682**	**–**	**–**	**–**	**78,682**
Borrowings	**5,116**	**–**	**–**	**–**	**5,116**
Lease liabilities	**20,315**	**19,377**	**46,200**	**36,729**	**122,621**
Total	**104,113**	**19,377**	**46,200**	**36,729**	**206,419**
As at December 31, 2022 (Audited)					
Accruals and other payables*	86,003	–	–	–	86,003
Borrowings	5,097	2,546	–	–	7,643
Lease liabilities	21,451	18,936	50,332	39,580	130,299
Total	112,551	21,482	50,332	39,580	223,945

* Excluding non-financial liabilities of staff salaries and welfare payables, and other taxes payables.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to equity holders, issue new shares, make borrowings or sell assets to reduce debt.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

4.4. Fair value estimation

The Group has no financial instrument measured at fair value as at June 30, 2023 and December 31, 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements for the six months ended June 30, 2023.

5. SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the chief operating decision-makers. The chief operating decision-makers, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single operating segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

6. OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants (i)	**10,869**	4,419
Interest income on term deposits with original maturity between three and twelve months	**30,736**	5,969
Total	**41,605**	10,388

(i) The government grants mainly represent subsidies received from the government in relation to the support on certain research and development projects. There are no unfulfilled conditions or other contingencies attached to these grants.

7. OTHER (LOSSES)/GAINS – NET

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange (losses)/gains	**(65,259)**	2,313
Others	**51**	(1,108)
Total	**(65,208)**	1,205

8. EXPENSE BY NATURE

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**173,113**	179,666
Testing and clinical expenses	**101,474**	108,336
Depreciation of property, plant and equipment *(Note 12)*	**30,800**	19,138
Research and development consumables	**28,691**	24,200
Professional service fees	**10,579**	10,318
Utilities	**9,780**	7,623
Depreciation of right-of-use assets *(Note 13)*	**9,596**	12,901
Office expenses	**5,263**	4,798
Travelling and transportation expenses	**4,938**	2,638
Amortization of intangible assets *(Note 14)*	**3,659**	3,153
Auditors' remuneration	**1,815**	1,422
– Audit service	**1,630**	1,422
– Non-audit service	**185**	–
Short-term lease and low-value lease expenses	**808**	503
Other expenses	**5,111**	4,589
Total	**385,627**	379,285

9. FINANCE INCOME/(COSTS) – NET

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income	**7,299**	726
Finance costs		
Interest expense on lease liabilities	**(2,344)**	(2,532)
Interest expense on bank borrowings	**(197)**	(6,840)
Total finance costs	**(2,541)**	(9,372)
Total finance income/(costs) – net	**4,758**	(8,646)

10. INCOME TAX EXPENSE

Current income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Company has no estimated assessable profit.

(c) Mainland China corporate income tax

Subsidiaries in Mainland China are subject to income tax at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), with the exception of CARsgen Therapeutics Co., Ltd. ("CARsgen Therapeutics (Shanghai)") which obtained its High and New Technology Enterprises status in year 2020 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2020.

No provision for Mainland China corporate income tax was provided for, as there's no assessable profit.

(d) The US corporate income tax

CARsgen Therapeutics Corporation ("CARsgen USA"), which was incorporated in Delaware, the United States on May 4, 2016, was subject to statutory U.S. Federal corporate income tax at a rate of 21% for the six months ended June 30, 2023 and 2022. CARsgen USA was also subject to the state income tax for the six months ended June 30, 2023 and 2022.

No provision for US corporate income tax was provided for as there's no assessable profit.

(e) British Virgin Islands income tax

Under the current laws of BVI, the subsidiary incorporated in BVI is not subject to tax on income or capital gains. In addition, upon payments of dividends by our BVI subsidiaries to us, no BVI withholding tax is imposed.

(f) Ireland's corporation income tax and related capital gains tax

Subsidiary in Ireland is subject to income tax at a rate of 12.5% on the estimated assessable income and 33% on the capital gains. No provision for Ireland income tax has been provided as the subsidiary has no estimated assessable profit for the six months ended June 30, 2023 and 2022.

11. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by weighted average number of ordinary shares outstanding during the periods.

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to the ordinary equity holders of the Company *(RMB'000)*	**(404,472)**	(376,338)
Weighted average number of ordinary shares in issue *(in thousand)*	**555,475**	549,356
Basic loss per share *(RMB)*	**(0.73)**	(0.69)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2023, the Company had outstanding potential ordinary share in relation to share-based payments. As the Group incurred losses for the six months ended June 30, 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2023 and 2022 are the same as basic loss per share of the respective periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Building *RMB'000*	Equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture *RMB'000*	Vehicle *RMB'000*	Fixture *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
(Unaudited)									
As at January 1, 2022									
Cost	36,823	123,745	7,331	2,251	1,708	41,658	11,787	152,135	377,438
Accumulated depreciation	(3,717)	(47,898)	(3,850)	(1,185)	(708)	(15,306)	(3,876)	–	(76,540)
Net book amount	33,106	75,847	3,481	1,066	1,000	26,352	7,911	152,135	300,898
Six months ended June 30, 2022									
Opening net book amount	33,106	75,847	3,481	1,066	1,000	26,352	7,911	152,135	300,898
Exchange differences	–	128	140	1	–	–	–	9,550	9,819
Additions	–	10,270	506	116	–	–	864	70,106	81,862
Completion of construction in progress	–	5,733	4,289	–	–	–	1,022	(11,044)	–
Disposals	–	–	(13)	(16)	–	–	–	–	(29)
Depreciation charges	(947)	(10,439)	(1,278)	(182)	(160)	(4,333)	(1,799)	–	(19,138)
Closing net book amount	32,159	81,539	7,125	985	840	22,019	7,998	220,747	373,412
As at June 30, 2022									
Cost	36,823	139,876	12,253	2,352	1,708	41,658	13,673	220,747	469,090
Accumulated depreciation	(4,664)	(58,337)	(5,128)	(1,367)	(868)	(19,639)	(5,675)	–	(95,678)
Net book amount	32,159	81,539	7,125	985	840	22,019	7,998	220,747	373,412

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Building *RMB'000*	Equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture *RMB'000*	Vehicle *RMB'000*	Fixture *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
(Unaudited)									
As at January 1, 2023									
Cost	53,771	175,346	13,738	10,575	2,160	44,092	180,523	12,148	492,353
Accumulated depreciation	(6,675)	(70,565)	(6,801)	(2,415)	(864)	(24,001)	(17,182)	–	(128,503)
Net book amount	47,096	104,781	6,937	8,160	1,296	20,091	163,341	12,148	363,850
Six months ended June 30, 2023									
Opening net book amount	47,096	104,781	6,937	8,160	1,296	20,091	163,341	12,148	363,850
Exchange differences	635	1,227	113	238	471	–	5,478	153	8,315
Additions	–	3,067	248	282	–	–	203	2,683	6,483
Completion of construction in progress	–	6,173	138	217	–	–	–	(6,528)	–
Disposals	–	(12)	(2)	–	(452)	–	–	–	(466)
Depreciation charges	(2,695)	(11,936)	(1,919)	(961)	(196)	(4,416)	(8,677)	–	(30,800)
Closing net book amount	45,036	103,300	5,515	7,936	1,119	15,675	160,345	8,456	347,382
As at June 30, 2023									
Cost	54,407	186,011	14,300	11,378	1,731	44,092	186,858	8,456	507,233
Accumulated depreciation	(9,371)	(82,711)	(8,785)	(3,442)	(612)	(28,417)	(26,513)	–	(159,851)
Net book amount	45,036	103,300	5,515	7,936	1,119	15,675	160,345	8,456	347,382

12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at June 30, 2023 and December 31, 2022, the Group's building with carrying values of RMB30,318,000 and RMB31,247,000 respectively were pledged for certain of the Group's borrowings (Note 24).

In 2019, the Group acquired building and land use right (Note 13) with total cost of RMB43,921,000 from a third-party seller. According to the agreement entered into by the Group and the local authorities, the third party seller or its designated entity has the right to repurchase the building and the land use right from the Group if the Company's subsidiary holding the building and the land use right failed to meet the minimum RMB8,000,000 annual tax payment requirement from the third year of commencement of production. Total carrying amount of such building and land use right was RMB30,318,000 and RMB6,552,000 respectively as at June 30, 2023 (December 31, 2022: RMB31,247,000 and RMB6,630,000 respectively).

Depreciation of the Group charged to statement of profit or loss is analyzed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Administrative expenses	**2,414**	5,154
Research and development expenses	**28,386**	13,984
Total	**30,800**	19,138

13. RIGHT-OF-USE ASSETS

The Group leases land, offices and dormitory for its own use. Information about leases for which the Group is a lessee is presented below:

	Land use right *RMB'000*	Offices and dormitories *RMB'000*	Total *RMB'000*
(Unaudited)			
As at January 1, 2022			
Cost	7,098	109,223	116,321
Accumulated depreciation	(312)	(30,718)	(31,030)
Net book amount	6,786	78,505	85,291
Six months ended June 30, 2022			
Opening net book amount	6,786	78,505	85,291
Additions	–	16,499	16,499
Deduction	–	(6,513)	(6,513)
Depreciation charge	(78)	(12,823)	(12,901)
Exchange differences	–	2,111	2,111
Closing net book amount	6,708	77,779	84,487
As at June 30, 2022			
Cost	7,098	117,135	124,233
Accumulated depreciation	(390)	(39,356)	(39,746)
Net book amount	6,708	77,779	84,487
(Unaudited)			
As at January 1, 2023			
Cost	**7,098**	**121,845**	**128,943**
Accumulated depreciation	**(468)**	**(50,942)**	**(51,410)**
Net book amount	**6,630**	**70,903**	**77,533**
Six months ended June 30, 2023			
Opening net book amount	**6,630**	**70,903**	**77,533**
Additions	**–**	**1,021**	**1,021**
Depreciation charge	**(78)**	**(9,518)**	**(9,596)**
Exchange differences	**–**	**1,328**	**1,328**
Closing net book amount	**6,552**	**63,734**	**70,286**
As at June 30, 2023			
Cost	**7,098**	**124,714**	**131,812**
Accumulated depreciation	**(546)**	**(60,980)**	**(61,526)**
Net book amount	**6,552**	**63,734**	**70,286**

As at June 30, 2023 and December 31, 2022, the Group's land use right with carrying values of RMB6,552,000 and RMB6,630,000 respectively was pledged as collateral for the Group's borrowings (Note 24).

14. INTANGIBLE ASSETS

	Software *RMB'000*	Patents *RMB'000*	Total *RMB'000*
(Unaudited)			
As at January 1, 2022			
Cost	4,757	54,800	59,557
Accumulated amortization	(1,281)	(38,143)	(39,424)
Net book amount	3,476	16,657	20,133
Six months ended June 30, 2022			
Opening net book amount	3,476	16,657	20,133
Exchange differences	–	(491)	(491)
Additions	1,692	–	1,692
Amortization charges	(593)	(2,560)	(3,153)
Closing net book amount	4,575	13,606	18,181
As at June 30, 2022			
Cost	6,449	54,800	61,249
Accumulated amortization	(1,874)	(41,194)	(43,068)
Net book amount	4,575	13,606	18,181
(Unaudited)			
As at January 1, 2023			
Cost	**7,596**	**50,689**	**58,285**
Accumulated amortization	**(2,899)**	**(40,910)**	**(43,809)**
Net book amount	**4,697**	**9,779**	**14,476**
Six months ended June 30, 2023			
Opening net book amount	**4,697**	**9,779**	**14,476**
Exchange differences	**–**	**396**	**396**
Write off	**–**	**(2,752)**	**(2,752)**
Additions	**824**	**–**	**824**
Amortization charges	**(1,087)**	**(2,572)**	**(3,659)**
Closing net book amount	**4,434**	**4,851**	**9,285**
As at June 30, 2023			
Cost	**8,420**	**50,427**	**58,847**
Accumulated amortization	**(3,986)**	**(45,576)**	**(49,562)**
Net book amount	**4,434**	**4,851**	**9,285**

14. INTANGIBLE ASSETS (continued)

Amortization of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Administrative expenses	**660**	472
Research and development expenses	**2,999**	2,681
Total	**3,659**	3,153

15. OTHER NON-CURRENT ASSETS AND PREPAYMENT

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Value-added tax recoverable *(Note)*	**2,998**	2,427
Rental deposits – non-current	**1,778**	1,784
Prepayments for purchase of property, plant and equipment	**139**	2,110
Total	**4,915**	6,321

Note: Value-added tax recoverable are mainly input VAT on acquisition of property, plant and equipment and the research and development expenses. According to Announcement of the General Administration of Taxation and Customs of the Ministry of Finance on Policies for Deepening the Reform of Value-Added Tax (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, (2022) No.14), entities with value-added tax recoverable balance can, starting from April 1, 2022, apply for 100% refund on a semi-annual basis if tax payment credit rank is A or B. Value-added tax recoverable which are expected to be recovered within 12 months were recorded as other current assets and prepayments, and those which are expected to be recovered after 12 months were recorded as other non-current assets.

16. OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Interest receivable	13,815	739
Deposits – current	6,671	6,309
Others	23	4,786
Total	20,509	11,834

None of the above assets is past due. The financial assets included in the above balances related to deposits and others for which there was no history of default and the expected credit losses are considered minimal.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate their fair values.

17. OTHER CURRENT ASSETS AND PREPAYMENT

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayments to suppliers	13,834	9,716
Value-added tax recoverable *(Note 15)*	4,738	11,053
Total	18,572	20,769

18. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS WITH ORIGINAL MATURITY BETWEEN THREE AND TWELVE MONTHS

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Cash at banks		
– RMB	**926,679**	906,855
– HKD	**11,259**	3,821
– USD	**745,983**	1,357,360
Total	**1,683,921**	2,268,036
Term deposits with original maturity between three and twelve months		
– USD	**490,087**	–

The carrying amount of cash and cash equivalents approximates their fair value.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Assets		
Financial assets at amortized costs:		
– Other receivables	**20,509**	11,834
– Other non-current assets – rental deposit	**1,778**	1,784
– Cash and cash equivalents	**1,683,921**	2,268,036
– Term deposits with original maturity between three and twelve months	**490,087**	–
Total	**2,196,295**	2,281,654

19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Liabilities		
Financial liabilities at amortized costs:		
– Borrowings-current	**4,979**	4,850
– Borrowings-non-current	**–**	2,523
– Accruals and other payables (excluding staff salaries and welfare payables, and payroll and other tax)	**78,682**	86,003
– Lease liabilities-current	**16,230**	17,134
– Lease liabilities-non-current	**89,879**	94,938
Total	**189,770**	205,448

20. SHARE CAPITAL

Authorized:

	Number of shares *In thousands*	**Nominal value of shares in total** *USD*
As at January 1, 2022 and June 30, 2022	200,000,000	50,000
As at January 1, 2023 and June 30, 2023	**200,000,000**	**50,000**

Issued and fully paid:

	Number of ordinary shares at USD0.00000025 par value *In thousands*	**RMB equivalent value** *RMB'000*
As at January 1, 2022	567,537	1
Issue of shares to employees under Employee Stock Option Scheme	2,272	–*
Issue of shares held in trust	469	–*
As at June 30, 2022	570,278	1
As at January 1, 2023	**572,625**	**1**
Issue of shares to employees under Employee Stock Option Scheme *(Note(a))*	**686**	**–***
Issue of shares held in trust *(Note(b))*	**2,013**	**–***
As at June 30, 2023	**575,324**	**1**

* The amounts are less than RMB1,000.

20. SHARE CAPITAL (continued)

Note(a): During six months ended June 30, 2023, the Company issued 685,834 ordinary shares at HKD4,913,000 (equivalent to RMB4,431,000 approximately) in total with price ranging from nil to HKD10.81 per share to employees under Employee Stock Option Scheme.

Note(b): On June 21, 2023, the Company allotted and issued 2,012,554 shares to Carfe Unity Limited, which was wholly owned by the 2019 Equity Incentive Plan Trustee. Such Shares are to be held in trust by the 2019 Equity Incentive Plan Trustee to facilitate the transfer of Shares to the grantees upon vesting of the relevant Share Options and Share Awards. The Shares of the Company held in Carfe Unity Limited were accounted as "Reserve-Treasury shares held in trust".

Movements in treasury shares during the period:

	Number of treasury shares *In thousands*	**RMB equivalent value** *RMB'000*
As at January 1, 2022	19,568	–*
Issue of shares held in trust	468	–*
Transfer of treasury shares to employees related under Employee Incentive Schemes	(118)	–*
As at June 30, 2022	19,918	–*
As at January 1, 2023	**17,636**	**–***
Issue of shares held in trust	**2,013**	**–***
Transfer of treasury shares to employees related under Employee Incentive Schemes *(Note(c))*	**(320)**	**–***
As at June 30, 2023	**19,329**	**–***

* The amounts are less than RMB1,000.

Note(c): During six months ended June 30, 2023, the Company transferred 320,407 treasury shares to employees under Employee Incentive Schemes at the cost of HKD897 (equivalent to RMB770 approximately) in total.

21. SHARE-BASED PAYMENTS

(a) Employee Stock option

During the six months ended June 30, 2023, the Group adopted the following stock option plan to certain employees and directors of the Group, as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Stock Option Scheme executed	Number of options granted	Exercise price per option *(HKD)*
2023 Stock Option Scheme ("2023 Option Plan")	3,394,000	14.46

Under the 2023 Option Plan, 3,394,000 options can be vested in four tranches with 25% of which can be vested on each of the four anniversaries of the vesting commencement date.

The assessed fair value at grant date of options granted during the six months ended June 30, 2023 was as follows:

Stock Option Scheme executed	Fair value as at grant date *(RMB'000)*
2023 Option Plan	19,193

(b) Employee restricted share

During the six months ended June 30, 2023, the Group adopted the following restricted share plan to certain employees and directors of the Group, as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Restricted share scheme executed	Number of restricted shares granted
2023 Stock RSU Scheme ("2023 RSU Plan")	2,012,554

Under the 2023 RSU Plan, 2,012,554 restricted shares can be vested in four tranches with 25% of which can be vested on each of the four anniversaries of the vesting commencement date.

The assessed fair value at grant date of restricted shares granted during the six months ended June 30, 2023 was as follows:

Restricted share scheme executed	Fair value as at grant date *(RMB'000)*
2023 RSU Plan	25,461

21. SHARE-BASED PAYMENTS (continued)

(c) Expenses arising from share-based compensation transactions

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive loss as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Administrative expenses	**3,144**	3,736
Research and development expenses	**15,602**	19,714
Total	**18,746**	23,450

22. DIVIDEND

No dividend was declared or paid by the Company during the six months ended June 30, 2023 and 2022.

23. RESERVE

	Capital reserve RMB'000 Note(a)	Share premium RMB'000	Treasury Shares RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Share-based compensation RMB'000 Note(b)	Accumulated loss RMB'000	Total RMB'000
(Unaudited)								
Balance at January 1, 2022	54,800	9,419,815	–	44,476	–	27,356	(6,549,788)	2,996,659
Loss for the period	–	–	–	–	–	–	(376,338)	(376,338)
Exchange differences on translation	–	–	–	142,756	–	–	–	142,756
Issue of shares held in trust	–	–	–*	–	–	–	–	–
Issue of treasury shares to employees related to employee share-based payment	–	–	–*	–	–	–	–	–
Share-based compensation	–	–	–	–	–	23,450	–	23,450
Issue of shares at exercise of options related to employee share-based payment	–	4,123	–	–	–	–	–	4,123
Balance at June 30, 2022	54,800	9,423,938	–*	187,232	–	50,806	(6,926,126)	2,790,650
(Unaudited)								
Balance at January 1, 2023	**54,800**	**9,430,320**	**–***	**358,737**	**–**	**71,351**	**(7,442,035)**	**2,473,173**
Loss for the period	–	–	–	–	–	–	(404,472)	(404,472)
Exchange differences on translation	–	–	–	113,715	–	–	–	113,715
Issue of shares held in trust *(Note 20)*	–	–	–*	–	–	–	–	–*
Transfer of treasury shares to employees under Employee Incentive Schemes *(Note 20)*	–	–*	–*	–	–	–	–	–*
Share-based compensation	–	–	–	–	–	18,746	–	18,746
Issue of shares to employees under Employee Stock Option Scheme	–	4,431	–	–	–	–	–	4,431
Balance at June 30, 2023	**54,800**	**9,434,751**	**–***	**472,452**	**–**	**90,097**	**(7,846,507)**	**2,205,593**

* The amounts are less than RMB1,000.

Note(a): Capital reserve mainly arose from the capital contribution of patents, which were recognized as intangible assets, from CARsgen Therapeutics's equity shareholder, Shanghai Yijie Bio-tech Co., Ltd. on the date of CARsgen Therapeutics's incorporation.

Note(b): Share-based compensation arose from share-based compensation granted to employees of the Group (Note 21).

24. BORROWINGS

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Non-current		
Secured bank borrowings	–	2,523
Current		
Secured bank borrowings	4,979	4,850
	4,979	4,850
Total	4,979	7,373

	As at December 31, 2022 *RMB'000* (Audited)	Additions	Repayments	As at June 30, 2023 *RMB'000* (Unaudited)
Secured bank borrowings	7,373	–	(2,394)	4,979
Total	7,373	–	(2,394)	4,979

As at June 30, 2023 and December 31, 2022, the Group's bank borrowings of approximately RMB4,979,000 and RMB7,373,000 respectively are pledged by property, plant and equipment and right-of-use assets of the Group (Notes 12 and 13).

The fair values of the borrowings approximate their carrying amounts as the discounting impact is not significant.

As at June 30, 2023, the Group's secured borrowings is mature within one years with the interest rate of 5.2250%.

25. LEASE LIABILITIES

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Minimum lease payments due		
– Within 1 year	**20,315**	21,451
– Between 1 and 2 years	**19,377**	18,936
– Between 2 and 5 years	**46,200**	50,332
– Over 5 years	**36,729**	39,580
	122,621	130,299
Less: future finance charges	**(16,512)**	(18,227)
Present value of lease liabilities	**106,109**	112,072
Less: Current portion lease liabilities	**(16,230)**	(17,134)
Non-current portion of lease liabilities	**89,879**	94,938
– Within 1 year	**16,230**	17,134
– Between 1 and 2 years	**15,988**	15,323
– Between 2 and 5 years	**40,052**	43,514
– Over 5 years	**33,839**	36,101
Present value of lease liabilities	**106,109**	112,072

The Group leases land use right and properties. Lease on land use right has been fully paid and lease on properties were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowings rates of the Group.

26. DEFERRED INCOME

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Non-current	**15,677**	21,180
Current	**5,840**	6,565
Total	**21,517**	27,745

Deferred income represented government grants received relating to property, plant and equipment to be recognized over the estimated useful lives of the related assets and government grant received relating to costs to be recognized over the period necessary to match the costs they are intended to compensate.

27. ACCRUALS AND OTHER PAYABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Accrued expenses	**74,049**	81,536
Staff salaries and welfare payables	**37,091**	51,017
Other taxes payable	**915**	4,094
Payables for acquisition of property, plant and equipment	**614**	1,529
Interest payables	**33**	49
Payables for research and development consumables	**–**	503
Others	**3,986**	2,386
Total	**116,688**	141,114

27. ACCRUALS AND OTHER PAYABLES (continued)

The carrying amounts of accruals and other payables of the Group are denominated in the following currencies:

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
RMB	**79,977**	87,264
USD	**36,711**	53,850
Total	**116,688**	141,114

28. CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Contract liabilities – Exclusive distribution rights of CT053	**188,679**	–

As at January 16, 2023, CARsgen Life Sciences Co., Ltd.("CARsgen Life Science"), a wholly-owned subsidiary of the Company and Huadong Medicine (Hangzhou) Co., Ltd., a wholly-owned subsidiary of Huadong Medicine Co., Ltd. entered into a collaboration agreement (the "Agreement") with total upfront and milestone payments up to RMB1,225 million. Pursuant to the Agreement, Huadong Medicine Co., Ltd. is granted the exclusive right to commercialize CARsgen's drug candidate, zevorcabtagene autoleucel (CT053) in mainland China. During six months ended June 30, 2023, CARsgen Life Sciences received an upfront payment of RMB200 million (RMB188,679,000 excluding VAT) under the Agreement. CARsgen Life Sciences will continue to be responsible for the development, regulatory approval, and manufacturing of CT053 in mainland China. The upfront fee is restricted by the term in the contract with Huadong Medicine.

29. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
Property, plant and equipment	**3,381**	2,923

(b) Lease commitments – where the Group is the lessee

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at June 30, 2023 *RMB'000* (Unaudited)	As at December 31, 2022 *RMB'000* (Audited)
No later than 1 year	**781**	179

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related in one party has the ability, directly or indirectly, to control the other part or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended June 30, 2023 and 2022 respectively.

(a) Key management compensation

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries, share options, other allowances and benefits in kind	**14,310**	15,412
Discretionary bonus	**3,131**	3,587
Social security costs	**1,382**	1,219
Total	**18,823**	20,218

31. CONTINGENCIES

The Group did not have any material contingent liabilities as at June 30, 2023 and December 31, 2022.

32. SUBSEQUENT EVENTS

The Group did not have any material subsequent events.

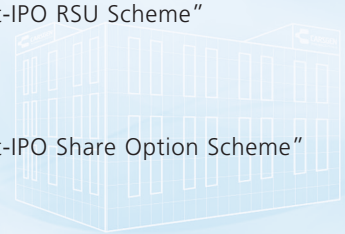
Forward-Looking Statements

All statements in this report that are not historical fact or that do not relate to present facts or current conditions are forward-looking statements. Such forward-looking statements express the Group's current views, projections, beliefs and expectations with respect to future events as of the date of this report. Such forward-looking statements are based on a number of assumptions and factors beyond the Group's control. As a result, they are subject to significant risks and uncertainties, and actual events or results may differ materially from these forward-looking statements and the forward-looking events discussed in this report might not occur. Such risks and uncertainties include, but are not limited to, those detailed under the heading "Principal Risks and Uncertainties" in our most recent annual report and interim report and other announcements and reports made available on our corporate website, https://www.carsgen.com. No representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this report.

"Accure Biotech"	Accure Biotech Limited, a company incorporated in the BVI with limited liability on March 26, 2018 and wholly-owned by Mr. Haiou CHEN, and one of the Controlling Shareholders
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Audit Committee"	the audit committee of the Company
"Board of Directors", "Board" or "our Board"	our board of Directors
"BVI"	the British Virgin Islands
"Candock Holdings"	Candock Holdings Limited, a company incorporated in the BVI with limited liability on July 17, 2017 and wholly-owned by Mr. Huaqing GUO, and one of the Controlling Shareholders
"CARsgen Therapeutics (Shanghai)"	CARsgen Therapeutics Co., Ltd (科濟生物醫藥(上海)有限公司), a company incorporated in the PRC with limited liability on October 30, 2014, and one of our consolidated affiliated entities
"CART Biotech"	CART Biotech Limited, a company incorporated in the BVI with limited liability on July 17, 2017 and wholly-owned by Dr. LI, and one of the Controlling Shareholders
"China" or "PRC"	the People's Republic of China, which for the purpose of the Prospectus and for geographical reference only, excludes Hong Kong, Macao and Taiwan
"Company", "our Company", "the Company", "CARsgen Therapeutics" or "CARsgen"	CARsgen Therapeutics Holdings Limited (科濟藥業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 9, 2018
"Core Product Candidate"	has the meaning ascribed to it in Chapter 18A of the Listing Rules and in this context, refers to CT053
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Global Offering"	the initial public offering of the Shares on the terms and subject to the conditions as described in the Prospectus

Definitions

"1% individual limit"	has the meaning in Rule 17.03D(1) of the Listing Rules
"Group", "our Group", "we", "us" or "our"	our Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huadong Medicine"	Huadong Medicine Co., Ltd. (Stock Code: SZ.000963), a leading large-scale comprehensive pharmaceutical listed company based in Hangzhou, China
"IPO"	initial public offering
"Latest Practicable Date"	September 12, 2023, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained in this report
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"NMPA"	National Medical Products Administration (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), or the CFDA, the State Food and Drug Administration (國家食品藥品監督管理局), or the SFDA and the State Drug Administration (國家藥品監督管理局), or the SDA
"Nomination and Corporate Governance Committee"	the nomination and corporate governance committee of the Company
"Post-IPO RSU Scheme"	the post-IPO RSU scheme adopted by our Company on April 30, 2021, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information" in the Prospectus
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by our Company on April 30, 2021, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information" in the Prospectus



"Prospectus"	the prospectus issued by the Company on June 7, 2021 in connection with the IPO
"Quanzhou Dingwo (LP)"	Quanzhou Dingwo Chuangfeng Investment Center (Limited Partnership) (泉州市鼎沃創豐投資中心(有限合夥)), a limited partnership established under the laws of the PRC on October 15, 2015, and one of our Controlling Shareholders
"Redelle Holding"	Redelle Holding Limited, a company incorporated in the BVI with limited liability on July 17, 2017 and wholly-owned by Mr. Bingsen GUO, and one of the Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the period from January 1, 2023 to June 30, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Shareholder(s)"	holder(s) of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"Yeed Holdings"	Yeed Holdings Limited (儀德控股有限公司), a limited liability company established under the laws of BVI on July 7, 2019 wholly-owned by Ms. Xuehong YANG, and one of our Controlling Shareholders
"YIJIE Biotech (BVI)"	YIJIE Biotech Holding Limited (益傑生物技術控股有限公司), a limited liability company incorporated in the BVI on July 20, 2017, and one of our Controlling Shareholders

Glossary

"ADCC"	antibody-dependent cellular cytotoxicity is an immune mechanism through which Fc receptor-bearing effector cells recognize and kill antibody-coated target cells expressing tumor- or pathogen-derived antigens on their surface
"antigen"	the substance that is capable of stimulating an immune response, specifically activating lymphocytes, which are the body's infection-fighting white blood cells
"ASCO"	American Society of Clinical Oncology
"ASCO GI"	American Society of Clinical Oncology Gastrointestinal Cancers Symposium
"ASH"	American Society of Hematology
"BCMA"	B-cell maturation antigen, a protein that is highly expressed in multiple myeloma with limited expression on normal tissues other than plasma cells
"BLA"	biologics license application
"B2M"	beta 2 microglobulin
"CAR(s)"	chimeric antigen receptor(s)
"CAR-T" or "CAR T"	chimeric antigen receptor T cell
"CD19"	a cell surface protein expressed on the surface of almost all B cell leukemia and lymphoma
"CDC"	complement-dependent cytotoxicity, an effector function of IgG and IgM antibodies
"CGMP"	current good manufacturing practices
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"combination therapy"	treatment in which a patient is given two or more therapeutic agents for the treatment of a single disease

Glossary

"CRS"	cytokine release syndrome, a form of systemic inflammatory response syndrome that arises as a complication of some diseases or infections, and is also an adverse effect of some monoclonal antibody drugs, as well as adoptive T cell therapies
"CycloCAR®"	a next-generation CAR-T technology under development by the Company, which features co-expression of cytokines IL-7 and chemokine CCL21 in the CAR T-cells to potentially improve clinical efficacy and reduced requirement for lymphodepletion conditioning
"cytokine"	a broad and loose category of small proteins that are important in cell signaling. Their release affects the growth of all blood cells and other cells that help the body's immune and inflammation responses
"EMA"	European Medicines Agency
"FDA" or "U.S. FDA" or "US FDA"	United States Food and Drug Administration
"GMP"	Good Manufacturing Practice
"GPC3"	Glypican-3, an oncofetal antigen expressed in a variety of tumors including certain liver and lung cancers
"Grade"	term used to refer to the severity of adverse events
"GvHD"	graft versus host disease
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HLA"	human leukocyte antigen
"HvGR"	host versus graft response
"IIT" or "investigator-initiated trial"	clinical trial sponsored and conducted by independent investigators
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"LADAR®"	Local Action Driven by Artificial Receptor technology, with similar mechanism of synNotch system, in which the intracellular transcription of the gene of interest is controlled by a chimeric regulatory antigen receptor
"mAb" or "monoclonal antibody"	antibodies that are made by identical immune cells which are all clones belonging to a unique parent cell
"mesothelin"	cell-surface protein whose expression is mostly restricted to mesothelial cell layers lining the pleura, pericardium and peritoneum

Glossary

"MM" or "R/R MM"	multiple myeloma, a type of cancer that forms in the white blood cells; cancer that relapses or does not respond to treatment is called relapsed and/or refractory multiple myeloma
"NDA"	new drug application
"NK cell"	natural killer cell, the human body's first line of defense due to their innate ability to rapidly seek and destroy abnormal cells
"NKG2A"	also named KLRC1, killer cell lectin-like receptor subfamily C, member 1
"neurotoxicity"	possible adverse side effect of T cell therapies that leads to a state of confusion, aphasia, encephalopathy, tremor, muscular weakness, and somnolence
"Phase I"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage, tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase Ib"	a phase of clinical trials that primarily assesses safety, tolerability and pharmacokinetics/pharmacodynamics at multiple ascending dose levels prior to commencement of a Phase II or Phase III clinical trial
"Phase II"	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the drug for specific targeted disease, and to determine dosage tolerance and optimal dosage
"confirmatory trial" or "pivotal trial"	the trial or study intended to demonstrate the required clinical efficacy and safety evidence before submission for drug marketing approval
"PRIME"	PRIority MEdicine. A scheme launched by the EMA to offer early and proactive support to medicine developers to optimize the generation of robust data on medicine's benefits and risks, and accelerate assessment of medicines applications, for medicines that target an unmet medical need with advantages over existing treatments
"regenerative medicine advanced therapy" or "RMAT"	a special status granted by the FDA to regenerative medicine therapies, including cell therapies, intended to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug has the potential to address unmet medical needs for such disease or condition
"solid tumor"	an abnormal mass of tissue that usually does not contain cysts or liquid areas
"TCR"	T cell receptor
"THANK-uCAR®"	the Company's proprietary technology to generate CAR T cells with improved expansion and persistence from T cells that are sourced from third-party donors

In the case of inconsistency, the English text of this report shall prevail over the Chinese text.