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Application Proof of

INSILICO MEDICINE

InSilico Medicine Cayman TopCo

(Incorporated in the Cayman Islands with limited liability)

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INSILICO MEDICINE
InSilico Medicine Cayman TopCo
(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]: [REDACTED] (subject to the [REDACTED])
Number of [REDACTED]: [REDACTED] (subject to reallocation)
Number of [REDACTED]: [REDACTED] (subject to reallocation and the [REDACTED])
Maximum [REDACTED]: HKS[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars, subject to refund)
Nominal value: US$[REDACTED] per [REDACTED]
[REDACTED]: [REDACTED]

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Applicants for [REDACTED] are required to pay, on [REDACTED], the maximum [REDACTED] of HKS[REDACTED] for each [REDACTED] together with a brokerage of 1%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors."

The [REDACTED] (for themselves and on behalf of the [REDACTED]), with our consent, may reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at inSilico.com not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, see “Structure of the [REDACTED]” and “How to Apply for [REDACTED].”

The obligations of the Hong Kong [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the Hong Kong [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "[REDACTED] – [REDACTED] and Expenses – [REDACTED] – Grounds for Termination."

[REDACTED]

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[REDACTED]
[REDACTED]
EXPECTED TIMETABLE$^{(1)}$

[REDACTED]
EXPECTED TIMETABLE\(^{(1)}\)

[REDACTED]
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This Document may make references to certain published research papers. Such research papers do not form part of this Document, except to the extent that certain information from the research papers are explicitly included in this Document. You should rely only on the information contained in this Document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Joint Sponsors, [REDACTED], any of the [REDACTED], any of our or their respective directors, officers or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to [REDACTED] in the [REDACTED]. In particular, we are seeking to [REDACTED] on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with [REDACTED] in companies such as us. In addition, we have incurred significant losses since our inception, and we expect to remain loss making in the near term. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and do not intend to pay any dividends in the near future. Your [REDACTED] decision should be made in light of these considerations.

OVERVIEW

We are a globally leading end-to-end generative AI-driven biotech company in terms of AIDD pipeline progress, with a mission to accelerate drug discovery and development by leveraging our rapidly evolving, proprietary Pharma.AI platform across biology, chemistry and clinical development. Founded in 2014 at the Emerging Technology Centers of Johns Hopkins University in Baltimore, Maryland, we have a global presence in the U.S., Greater China, Canada and the Middle East. In 2019, we established our Hong Kong headquarters with a team consisting of disease modeling and target discovery scientists, as well as generative AI engineers led by our CEO, who resides in Hong Kong. Our generative AI platform helps us to rapidly and efficiently advance our fully self-generated AIDD pipeline primarily composed of novel drug candidates. As of the Latest Practicable Date, we have efficiently built a diversified, internally generated pipeline consisting of 31 programs across 29 drug targets. Our Core Product, ISM001-055, also known as INS018_055, is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TNIK, a novel anti-fibrotic target identified through our Pharma.AI platform. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIA clinical trial to evaluate the safety, tolerability, PK and efficacy of ISM001-055 in China in April 2023 and plan to initiate the U.S. Phase IIA clinical trial in the second half of 2023. Furthermore, ISM001-055 received orphan drug designation from the FDA in February 2023, qualifying us for incentives including a potential seven-year market exclusivity after approval. We believe that ISM001-055 could be a first-in-class drug candidate with the potential to provide better treatment outcomes for IPF patients.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT AND OTHER PIPELINE PRODUCTS.

We are driven by a highly experienced therapeutic pipeline development team and a world-class generative AI platform development team. Each team is led by a leader who is an expert in his field. Our dual-CEO structure helps us combine a highly efficient therapeutic pipeline development process with state-of-the-art generative AI capabilities to achieve our goal of bringing novel and clinically meaningful therapies to patients. On the therapeutics development front, we have established a cutting-edge target discovery and validation laboratory in Suzhou, China, which combines our Pharma.AI backbone with its full suite of generative capabilities with wet lab capabilities to enable the automation of multiple drug discovery workflows while reducing human and experimental bias. Our internal pharmaceutical pipeline development capabilities are complemented by an extensive network of CROs and CDMOs that support our discovery, preclinical and clinical activities to facilitate the efficient progression of our drug candidates into clinical trials. On the generative AI technology front, our Pharma.AI enables the rapid discovery of novel targets including in previously undruggable targets, the efficient generation of drug candidates and the prediction of drug candidates’ likelihood of clinical success.

Our business model consists of (i) the research and development of our generative AI-driven therapeutic pipeline and (ii) software licensing. We have made significant investments in building our generative AI-based drug discovery and development platform and have generated a rich pipeline targeting areas of unmet need in
oncology, immunology, fibrosis and other therapeutic areas. Compared to the pharmaceutical industry’s average of 4.5 years from program initiation to IND-enabling stage, our innovative generative AI platform and pipeline development process has enabled us to do so in 12 months for a typical pipeline candidate. As our pipeline candidates mature and grow in potential value, we may consider out-licensing them to pharmaceutical companies. We also enter into strategic drug discovery and development collaborations with pharmaceutical companies to explore potential targets and drug candidates that have the potential to become part of our drug development pipeline. We currently collaborate with 10 of the top 20 global pharmaceutical companies in terms of reported sales in 2021. Our strategic collaborators typically leverage our technology and development capabilities to complement and accelerate drug discovery and development efforts. A typical collaboration deal includes a combination of upfront payment, IP rights, success-based development, regulatory and commercial milestones and royalties. Finally, our software licensing activities include the out-licensing of our Pharma.AI platform, consisting of Biology42, Chemistry42 and Medicine42, for target discovery, small molecule and biologics generation and clinical trial prediction and optimization. While focused on the pharmaceutical industry, our generative AI platform has broad potential applications.

Our generative AI platform has enabled us to discover novel targets and generate novel drug candidates that are difficult to develop using traditional drug discovery methods. Our lead program undergoing Phase II trials for IPF demonstrates the potential of our platform and represents a first-of-its-kind program with an AI-discovered drug for an AI-discovered target. While IPF represents an attractive opportunity for new therapies given the significant unmet need, there are currently limited therapeutic options on the market. Previous attempts to develop drugs for the fibrotic disease market using traditional drug development methods have met with limited success. This is because drug discovery and development for fibrotic diseases presents unique challenges, such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. However, our generative AI-driven approach has enabled us to identify a promising target that modulates multiple fibrotic pathways, and we have developed a promising small molecule candidate that we believe could represent a novel, clinically differentiated therapy.

Our Core Product, ISM001-055, serves as an important demonstration of Pharma.AI’s ability to accelerate drug development timelines and reduce costs. It took approximately 30 months to advance ISM001-055 from disease hypothesis formulation to Phase I clinical trials. We were able to achieve this efficiency by relying on the end-to-end integration of our AI-driven drug development process.
**SUMMARY**

**DRUG CANDIDATES**

We have leveraged our Pharma.AI platform and strategically designed and developed diversified pipeline programs with a therapeutic footprint in fibrosis, oncology, immunology and other therapeutic areas. We chose these disease areas because these areas have huge unmet medical needs and a high amount of available patient omics data, allowing us to fully utilize our PandaOmics target discovery AI engine to identify novel targets with high confidence. Our pipeline includes one clinical-stage asset in Phase II studies, two clinical-stage assets in Phase I studies, ten preclinical assets and multiple early discovery stage assets as of the Latest Practicable Date. The following chart summarizes the development status of our clinical-stage drug candidates and selected preclinical-stage drug candidates as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Product Candidate</th>
<th>Target</th>
<th>Mechanism</th>
<th>Indication</th>
<th>Stage of Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM001-055</td>
<td>TNIK</td>
<td>EMT, FMT, fibroblast macrophage activation</td>
<td>IPF (inhaled)</td>
<td>IND-enabling, Phase 1, Phase 2, Phase 3</td>
</tr>
<tr>
<td>ISM3091</td>
<td>USP1</td>
<td>Synthetic lethality</td>
<td>BRCA-mutant Cancer</td>
<td>IND-enabling, Phase 1</td>
</tr>
<tr>
<td>ISM3312</td>
<td>3CL**</td>
<td>Virus replication</td>
<td>COVID-19</td>
<td>IND-enabling, Phase 1</td>
</tr>
<tr>
<td>ISM6207</td>
<td>QPCTL</td>
<td>Immune modulation</td>
<td>Co-development with Fosun</td>
<td></td>
</tr>
<tr>
<td>ISM4808</td>
<td>PHD1/2</td>
<td>EPO induction and iron utilization</td>
<td>Anemia of Chronic Kidney Disease</td>
<td></td>
</tr>
<tr>
<td>ISM5411</td>
<td>TEAD</td>
<td>Cell proliferation and survival</td>
<td>Inflammatory Bowel Disease</td>
<td></td>
</tr>
<tr>
<td>ISM5939</td>
<td>ENPP1</td>
<td>Immune modulation</td>
<td>Solid Tumors</td>
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<tr>
<td>ISM6331</td>
<td>MAT2A</td>
<td>Synthetic lethality</td>
<td>MTAP** Cancer</td>
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<td>ISM3412A</td>
<td>DGKA</td>
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<tr>
<td>Undisclosed CDK12</td>
<td>Tumor cell proliferation</td>
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<td>Undisclosed cMYC</td>
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</tbody>
</table>

Abbreviations: TNIK = TRAF2 and NCK interacting kinase; PHD1/2 = prolyl hydroxylase domain-1/2; QPCTL = glutaminyl-peptide cyclotransferase-like; 3CL**/M** = 3-chymotrypsin-like protease; USP1 = ubiquitin specific peptidase 1; MAT2A = methionine adenosyltransferase 2a; DGKA = diacylglycerol kinase alpha; KAT6 = K (lysine) acetyltransferase 6; ENPP1 = ectonucleotide pyrophosphatase / phosphodiesterase 1; CDK12 = cyclin dependent kinase 12; c-MYC = c-myelocytomatosis oncogene product; EMT = epithelial-mesenchymal transition; FMT = fibroblast-to-myofibroblast transition; EPO = erythropoietin; BRCA = breast cancer gene; MTAP = methylthioadenosine phosphorylase; ER = estrogen receptor; HER2 = receptor tyrosine-protein kinase ErbB-2; TEAD = transcriptional enhanced associate domain

**Notes:**

1. FDA granted ISM001-055 the orphan drug designation for its IPF indication.
2. The discovery stage includes drug target identification, hit identification, hit-to-lead optimization and lead optimization. Discovery and IND-enabling studies are preclinical studies.
3. We entered into an agreement with Fosun in November 2021 to co-develop drug candidate against the drug target QPCTL. Preclinical data presented in this Document are generated by our research service suppliers under our direction without the participation of Fosun. We take the leading role for the clinical development of drug candidates for QPCTL through Phase I trial, with the roles of each party for the development of QPCTL from Phase II trial to be negotiated after Phase I trial completion. For additional information, see “Business — Material Collaboration and Licensing Arrangements — Collaboration with Fosun.”
4. As of the Latest Practicable Date, we have three on-going clinical trials for our drug candidates ISM001-055, ISM3091 and ISM3312. For additional information regarding our on-going clinical trials, see “Business — Clinical and IND-enabling Stage Candidates.”
5. All programs are designed for oral administration unless otherwise indicated.
SUMMARY

Core Product

Our Core Product, ISM001-055, is a potent and selective small molecule inhibitor of TNIK with high affinity as a potential treatment of IPF, which is a fatal lung disease characterized by distorted lung architecture and consequent respiratory failure. The results of the completed Phase I clinical trial in New Zealand demonstrated good safety, tolerability and PK data of ISM001-055 in healthy volunteers. The results of a completed Phase I clinical trial in China also demonstrated similar encouraging safety and tolerability of ISM001-055 in healthy volunteers. We initiated the China Phase IIa clinical trial under the NMPA umbrella approval in April 2023. We filed an IND application with the FDA for the Phase IIa trial in the U.S. in February 2023 and received the FDA IND approval in June 2023. After successfully completing a Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication. Furthermore, ISM001-055 received orphan drug designation from the FDA in February 2023, qualifying us for incentives including a potential seven-year market exclusivity after approval. For more details, see “Business — Clinical and IND-enabling Stage Candidates — Core Product ISM001-055: A Small Molecule Inhibitor of TNIK for the Potential Treatment of IPF — Material Communications with Competent Authorities.”

Other Clinical or IND-Enabling Stage Candidates

- ISM3091, also known as ISM025-034, is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with homologous recombination deficiency (“HRD”).

- ISM3312, also known as ISM036-076, is an orally available, irreversible covalent inhibitor of 3CLpro/Mpro, also called 3CL protease or main protease (“Mpro”), which is a conserved cysteine protease and an essential enzyme for the replication of acute respiratory syndrome coronavirus 2 (“SARS-CoV-2”), the causative agent of COVID-19.

- ISM8207, also known as ISM004-1057D, currently co-developed in partnership with Fosun, is a first-in-class orally available small molecule inhibitor of QPCTL, a regulator of the CD47-SIRPα axis, as cancer immunotherapy.

- ISM4808, also known as ISM012-077, is an oral small molecule inhibitor of PHD1/2 for the potential treatment of anemia of chronic kidney disease (“CKD”). CKD is a condition characterized by a gradual loss of kidney function to filter wastes from the blood system over time.

- ISM5411, also known as ISM012-042, is an oral, gut-restricted small molecule inhibitor of PHD1/2 for the treatment of Inflammatory Bowel Disease (“IBD”).

- ISM6331 also known as ISM041-141b, is a small molecule pan-TEAD1/2/3/4 inhibitor that works by blocking the transcriptional activity of the TEAD-Yes-associated protein/transcriptional co-activator (“YAP/TAZ”) complex for the treatment of Hippo pathway dysregulated solid tumors.

- ISM5939 also known as ISM033-154, is a potent, orally available, competitive small molecule inhibitor that targets ENPP1 as a potential cancer therapy.

- ISM5043, also known as ISM024-148, is a novel oral small molecule KAT6 inhibitor. The inhibition of KAT6 can block estrogen receptor α (“ERα”) at a transcriptional level, which potentially provides novel therapies for ER+ breast cancer patients.

- ISM3412, also known as ISM020-345, is a potential best-in-class, orally available small molecule inhibitor of MAT2A, a synthetic lethality target in MTAP deleted, or MTAP⁻/⁻, cancers.
SUMMARY

- ISM4312A, also known as ISM034-145, is a novel oral small molecule DGKA inhibitor for the potential treatment of solid tumors.

ADDRESSABLE MARKETS AND COMPETITIVE LANDSCAPE

Our Core Product ISM001-055, is designed to treat IPF, a chronic disease that causes scarring of the lungs. According to Frost & Sullivan, the number of new cases of IPF worldwide increased from 534.3 thousand in 2017 to 575.1 thousand in 2021, at a CAGR of 1.9%. This is due to the increasing rate of aging populations, increasing awareness and diagnosis of this life-threatening condition and unhealthy lifestyles. The number of new cases is expected to continue increasing to 619.3 thousand in 2025 and to 685.2 thousand in 2030, with a CAGR of 1.9% and 2.0% from 2021 to 2030, according to Frost & Sullivan. Currently, there are only two drugs approved worldwide for the treatment of IPF, pirfenidone and nintedanib, both initially approved in 2014. Both are available in the U.S., EU and China. According to Frost & Sullivan, the global IPF drug market is expected to grow from US$1.7 billion in 2017 to US$3.3 billion in 2021, a CAGR of 17.4%. It is expected to reach US$5.0 billion by 2025 and US$7.1 billion by 2030, representing CAGRs of 11.1% and 7.3%, respectively.

Although currently available drug treatments for IPF are extremely limited, numerous drugs are currently in clinical trials for the treatment of IPF. These drugs use a variety of mechanisms of action and treatment modalities. Below is the current competitive landscape of IPF approved products and advanced clinical candidates.

Global Competitive Landscape for IPF

<table>
<thead>
<tr>
<th>Generic Name</th>
<th>Brand Name</th>
<th>Company</th>
<th>Approved Date</th>
<th>Drug Target</th>
<th>Approved Region</th>
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<td>pirfenidone</td>
<td>Esbriet®</td>
<td>Roche/ Genentech</td>
<td>2014-10-15</td>
<td>MAPK12</td>
<td>FDA, EMA, PMDA</td>
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<td>nintedanib</td>
<td>OFEV®</td>
<td>Boehringer Ingelheim</td>
<td>2014-10-15</td>
<td>MAPK12</td>
<td>FDA, EMA, NMPA, PMDA</td>
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<th>Drug Name</th>
<th>Company</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
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<td>INS018_055</td>
<td>Insilico medicine</td>
<td>IPF</td>
<td>TNIK</td>
<td>Phase IIa</td>
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<td>Boehringer Ingelheim</td>
<td>IPF</td>
<td>PDE4B</td>
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<td>963</td>
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<td>Lansoprazole</td>
<td>Norfolk and Norwich University Hospitals NHS Foundation Trust, Norwich Clinical Trials Unit</td>
<td>IPF</td>
<td>H+K+ ATPase</td>
<td>Phase III</td>
<td>2021-06</td>
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<td>HZN-825</td>
<td>Horizon Therapeutics Ireland DAC</td>
<td>IPF</td>
<td>LPA-1 receptor</td>
<td>Phase II</td>
<td>2021-08</td>
<td>Recruiting</td>
<td>135</td>
</tr>
<tr>
<td>HEC585</td>
<td>Sunshine Lake Pharma Co., Ltd.</td>
<td>IPF</td>
<td>TGFβR1</td>
<td>Phase II</td>
<td>2021-06</td>
<td>Recruiting</td>
<td>270</td>
</tr>
<tr>
<td>PLN-74809</td>
<td>Plant Therapeutics, Inc.</td>
<td>IPF</td>
<td>Integrin avb1 Integrin avb6</td>
<td>Phase II</td>
<td>2020-03</td>
<td>Completed</td>
<td>120</td>
</tr>
<tr>
<td>ZSP1603</td>
<td>Guangdong Raynovent Biotech Co., Ltd</td>
<td>IPF</td>
<td>pHPFs</td>
<td>Phase III</td>
<td>2021-10</td>
<td>Recruiting</td>
<td>36</td>
</tr>
</tbody>
</table>

Sources: Clinicaltrials.gov, Frost & Sullivan Report
Note: Novel targets include targets with less than 10 cumulative pipeline candidates that have undergone clinical trials.

OUR STRENGTHS

We believe that the following competitive strengths help differentiate us from our competitors:

- Proven end-to-end generative AI-driven platform designed to integrate biology, chemistry and clinical development;

- A potentially first-in-class anti-fibrotic drug candidate with clinical differentiation;
SUMMARY

• Comprehensive and diversified pipeline targeting multiple therapeutic areas with huge unmet medical needs and market potential;
• Disruptive and scalable AI technology enabling the acceleration of our pipeline development;
• Pioneers of generative AI for drug discovery and development;
• Unique dual CEO structure increasing focus on technological innovation and R&D execution; and
• A global organization with strong validation from the biopharma industry and backed by renowned investors.

OUR STRATEGIES

Our goal is to discover and develop drugs expeditiously and at lower cost by leveraging the power and breadth of our generative AI technology platform, augmented by our team’s experience in drug discovery and development. Our vision is to harness the power of our platform in target discovery, de novo synthesis of drugs and clinical trial optimization to develop novel therapies targeting unmet need. Our strategies for achieving those objectives are:

• Advance the development of our first-in-class drug candidate for the treatment of IPF while pursuing additional fibrosis indications;
• Advance our pipeline in a rapid, focused and efficient manner;
• Execute on our collaboration strategy to create value for stakeholders;
• Invest in the continual innovation of our Pharma.AI platform; and
• Continue to attract, nurture and retain skilled talent.

RESEARCH AND DEVELOPMENT

As an AI-driven biotechnology company with a mission to accelerate drug discovery and development, we place a strong emphasis on our R&D processes. Leveraging the unique advantages of our generative AI-driven platform, we are targeting drug development opportunities that address high unmet need. As of the Latest Practicable Date, we have efficiently built a diversified pipeline consisting of 31 programs across 29 drug targets with a therapeutic footprint in fibrosis, oncology, immunology and other therapeutic areas. In 2022, we nominated nine preclinical candidates and were able to generate revenues to support internal R&D. In addition, we collaborate with CRO partners to augment our in-house R&D.

Our AI-driven Pharma.AI platform, consisting of Biology42, Chemistry42 and Medicine42, is designed to be integrated across the drug discovery and development process to efficiently identify novel drug targets, design de novo molecules against both novel and known targets and optimize clinical development. Our R&D team utilizes our PandaOmics platform’s target identification and business intelligence capabilities to discover novel targets for disease indications with attractive market potential. They then utilize the generative-AI capabilities of our Generative Chemistry application to generate small molecules with good physicochemical properties targeting these novel targets. Finally, the inClinico application is used to assist in optimizing clinical trial design using data from prior clinical trials and clinical trial protocols.

Our R&D team is uniquely comprised of two teams specializing in therapeutics pipeline development and AI-platform development. Our therapeutics pipeline development team is headed by our co-CEO, Mr. Feng Ren, Ph.D., a pharmaceutical industry veteran, and includes the Drug Discovery and Clinical Operations & CRO Management teams. The therapeutics pipeline development team streamlines and guides the drug discovery process and manages relationships with CROs and CDMOs. We have set up an expert CRO management system focused on speed, quality and accuracy with direct local supervision, with dedicated managers for over 40 CROs and CDMOs. Our AI-platform development team is headed by our
CEO, Mr. Alex Zhavoronkov, Ph.D., who is a leading expert in the field of AI drug discovery, and includes the AI and Chemo- and Bioinformatics teams. The AI-platform development team supplies the expertise for the application of our AI-platform toward the identification and validation of novel targets and molecules and helps us to continually refine and improve our algorithms. Our dual-team structure allows us to develop specialized expertise on both the AI drug discovery front and the therapeutic pipeline development front, creating the enhanced efficiencies that have allowed us to rapidly expand our product pipeline.

We are investing in a next-generation robotics laboratory that combines automation technology, laboratory management system and AI technology to create a fully automated laboratory integrating cell culture, compound management, high-throughput screening, high-connotation imaging and other functions. The platform provides three capabilities: (i) target discovery and target verification, including a synthetic lethality target discovery platform, a phenotype-based target discovery platform and an age-related disease target discovery platform; (ii) drug development and translational medicine, including target validation and acceleration of certain preclinical activities; and (iii) algorithm validation, by generating results predicted by multiple omics data verification algorithms.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 259 patents and patent applications. The following table sets forth an overview of our material granted patents and filed patent applications in connection with our Core Product as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Product</th>
<th>Name of patent(1)</th>
<th>Jurisdiction</th>
<th>Status</th>
<th>Patent expiration(2)</th>
<th>Market commercial rights of the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM001-055</td>
<td>Kinase Inhibitors</td>
<td>U.S., EPO, China, Japan, Hong Kong, Taiwan</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Methods of Inhibiting Kinases</td>
<td>U.S., Taiwan</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Analogs for The Treatment of Diseases</td>
<td>U.S.</td>
<td>granted</td>
<td>2042/2/23</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PCT, Taiwan, Argentina, U.S.</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Analogs for The Treatment of Diseases</td>
<td>PCT</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Methods of Manufacturing Kinase Inhibitors</td>
<td>PCT</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
</tbody>
</table>

Abbreviations: PCT = Patent Cooperation Treaty; EPO = European Patent Office

Notes:

(1) Unless otherwise indicated, the patent for applications within the same product is the same and is therefore disclosed once.

(2) The patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.
SUMMARY

We conduct our business under the brand name “Insilico Medicine” and “英硅智能。” As of the Latest Practicable Date, we held 70 trademarks and trademark applications and five registered software copyrights. We are also the registered owner of 56 domain names. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any proceedings in respect of, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

MATERIAL COLLABORATION AND LICENSING ARRANGEMENTS

Collaboration with Fosun

In November 2021, we entered into a Drug Discovery and Development Collaboration Agreement (as amended and supplemented from time to time, “Fosun Agreement”), with Fosun. The Fosun Agreement engages us to provide certain services for a series of drug discovery and development programs and establishes collaboration with Fosun on a QPCTL-related development program, in each case, to apply our expertise and technology to the design, discovery, optimization and development of small molecule compounds that directly bind to and modulate certain biological targets in humans.

Under the Fosun Agreement, we agreed to deploy our technology and expertise to conduct up to four drug discovery and development programs (as may be adjusted according to the Fosun Agreement, each a “Discovery Program”) for discovery targets jointly determined by the parties. We are responsible for carrying out such Discovery Programs and generating compounds that meet pre-specified criteria. Fosun has agreed to pay us an aggregate project initiation fee of up to US$6.0 million at US$1.5 million per Discovery Program. In addition, Fosun will make to us, on a Discovery Program-by-Discovery program basis, additional payments upon the completion of certain R&D and regulatory approval milestones. In aggregate, we are entitled to receive up to US$24 million, not including fees or reimbursements due to us for the creation of a substitute discovery program, in consideration for our performance relating to the Discovery Programs. As of the Latest Practicable Date, we received a total payment US$6.0 million from Fosun for the Discovery Programs.

Under the Fosun Agreement, we also agreed to work with Fosun on the discovery and development of compounds for the drug target QPCTL through Phase I completion, for which we will take the leading role. We and Fosun will share on an equal basis all research and development costs within the agreed budget through the completion of the Phase I trial.

With respect to the QPCTL program, Fosun has agreed to make an upfront payment of US$7.0 million in project initiation fee. In addition, Fosun has agreed to pay us additional fees upon the achievement of certain R&D, clinical trial and regulatory approval milestones. In aggregate, we are entitled to receive up to US$58 million in consideration for our performance relating to the QPCTL program. As of the Latest Practicable Date, we received a total payment of US$10.4 million from Fosun for the QPCTL program.

Each party owns an equal, undivided interest in any intellectual property that results from the collaboration of the QPCTL project. For the other drug discovery and development programs, Fosun is the sole owner of any intellectual property that results from those drug discovery and development programs, provided that the applicable project initiation fees are made.

For more details, see “Business—Material Collaboration and Licensing Arrangements—Collaboration with Fosun.”

Collaboration with Sanofi

In October 2022, we entered into a Collaboration and License Agreement (“Sanofi Agreement”), with Genzyme Corporation, a wholly owned subsidiary of Sanofi. Under the Sanofi Agreement, Sanofi and we shall
collaborate to carry out a research program to accelerate the identification of development candidates toward each collaboration target, including the conducting of research activities in accordance with the research plan for each collaboration target. A Joint Research Committee (“JRC”), composed of equal representatives appointed by each party, will oversee and coordinate the collaboration between the parties, with Sanofi having final decision-making authority with respect to all matters within the responsibilities of the JRC (subject to certain enumerated limitations to such authority).

Once a collaboration target is designated, we shall prepare a research plan for approval by the JRC. We will provide written reports and supporting data and information to Sanofi on compounds that meet pre-specified criteria relating to the collaboration targets. Sanofi will have the right to perform, at Sanofi’s cost, chemistry, manufacturing and control activities and, as applicable, other research activities under the research plan, and shall notify us regarding whether Sanofi elects to designate any research compound to be progressed to clinical drug development activities. Sanofi will have the sole and exclusive right to control all clinical drug development activities and any regulatory matters, including any filings, correspondence and communication of regulatory materials with regulatory authorities, and have the exclusive right to commercialize and have exclusive control over the commercialization of the compounds.

Under the Sanofi Agreement, Sanofi has agreed to make various payments to us, including but not limited to, an upfront payment, royalty payments and milestone payments. Sanofi has agreed to make mid-single to low double-digit tiered royalties to us for any products developed. Sanofi shall pay us aggregate upfront and target nomination fees of up to US$21.5 million for up to six targets. Sanofi will make additional payments to us upon the achievement of various research, development and sales milestones. These payments could total up to US$1.2 billion, comprising up to US$111.0 million for research milestones, up to US$492.0 million for development and regulatory milestones and up to US$600.0 million for sales milestones. In addition, upon the achievement of specific preset thresholds for a product’s annual net sales, Sanofi shall make royalty payments to us calculated as a certain percentage of that product’s annual net sales. The tiered royalty rate increases as the product’s annual net sales increases, with the rate ranging from single-digit percentages to low double-digit percentages. As of the Latest Practicable Date, we received total upfront and milestone payments of US$12.5 million from Sanofi.

For more details, see “Business—Material Collaboration and Licensing Arrangements—Collaboration with Sanofi.”

**CUSTOMERS**

During the Track Record Period, the total revenue generated from our five largest customers amounted to US$2.5 million and US$27.3 million in 2021 and 2022, respectively. Our fifth and sixth largest customers in 2021 shared identical sales amounts and percentages of revenues. Our five largest customers in 2021 and 2022 together accounted for 53.2% and 90.6%, respectively, of our total revenues during those periods, and our largest customer accounted for 14.3% and 56.6%, respectively, of our total revenues during those periods. We normally grant a credit term of 30 days to 60 days to our customers. None of our five largest customers is a supplier to us.

To the best of our knowledge, all of our five largest customers during the Track Record Period are independent third parties. None of our Directors, their respective associates or, to the best of our knowledge, any shareholder who owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

**SUPPLIERS**

During the Track Record Period, we primarily synthesized and tested our drug candidates from industry-leading and highly reputable CROs. Our purchases mainly included third-party contracting services for preclinical evaluation and clinical trials of our drug candidates, regents and consumables, machines and
equipment and professional service. The purchases (including assets and services but excluding auditor services) from our five largest suppliers in the aggregate amounted to US$21.2 million and US$42.6 million in 2021 and 2022, respectively. In 2021 and 2022, our five largest suppliers in the aggregate accounted for 58.2% and 49.5%, respectively, of our total purchases during those periods, and our largest supplier accounted for 35.5% and 24.0%, respectively, of our total purchases (including value-added tax) during those periods.

CRO A is a related party to us, because its affiliates own more than 5% of our issued share capital. Except CRO A, to the best of our knowledge, all our other five largest suppliers during the Track Record Period were independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

OUR [REDACTED] INVESTORS

Since the establishment of our Group, we have entered into several rounds of financing agreements with our [REDACTED] Investors. Our [REDACTED] Investors mainly consist of private equity and venture capital funds and other investment entities, some of whom have a specific focus on the healthcare industry. Qiming Venture Partners and Lilly Asia Ventures, being two of our [REDACTED] Investors, are Sophisticated Investors identified pursuant to Guidance Letter HKEX-GL92-18 issued by the Stock Exchange. For details, see “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information about the [REDACTED] Investors” for further details on the identity and background of our [REDACTED] Investors.

SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 US$ (in thousands)</td>
<td>2022 US$</td>
</tr>
<tr>
<td>Revenue</td>
<td>4,713</td>
<td>30,147</td>
</tr>
<tr>
<td>Cost of services</td>
<td>–</td>
<td>(11,037)</td>
</tr>
<tr>
<td>Gross profits</td>
<td>4,713</td>
<td>19,110</td>
</tr>
<tr>
<td>Other income</td>
<td>5</td>
<td>275</td>
</tr>
<tr>
<td>Other gains and losses, net</td>
<td>(81,691)</td>
<td>(141,875)</td>
</tr>
<tr>
<td>Impairment losses under expected credit loss model, net of reversal</td>
<td>(34)</td>
<td>(234)</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>(1,293)</td>
<td>(5,375)</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(38,489)</td>
<td>(78,175)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(13,680)</td>
<td>(15,442)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(36)</td>
<td>(99)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(130,505)</td>
<td>(221,815)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>Other comprehensive (expense) income</td>
<td>(27)</td>
<td>794</td>
</tr>
<tr>
<td>Total comprehensive expenses for the year</td>
<td>(130,532)</td>
<td>221,034</td>
</tr>
</tbody>
</table>

During the Track Record Period, we generated revenue from drug discovery services and software solution services. We expect to continue to generate most of our revenue from such sources and expand our revenue sources upon the commercialization of approved drugs.
SUMMARY

Revenue from our drug discovery services was derived from our research and development collaborations, including payments from upfront payments and other success-based development milestones. For the collaboration arrangements and drug discovery projects with pharmaceutical companies, we were mainly engaged to utilize our AI-driven drug discovery platform to identify potential drug candidates with desired drug-like properties.

Revenue from our software solution services was derived from subscription fees related to licensing components of our proprietary generative AI platforms, namely Biology42, Chemistry42 and Medicine42. We granted our customers access to our AI-driven proprietary drug discovery software on a subscription basis and collected upfront subscription fees. The subscriptions typically have one year terms with clients having the right to renew their subscription.

During the Track Record Period, our cost of services mainly consisted of third-party contracting costs and labor costs in relation to drug discovery services. The drug discovery services and internal research and development activities are both performed by our research and development specialists. In 2021, the costs related to drug discovery services were small in scale. In 2022, our external services significantly increased. Therefore, we recorded cost of services of nil and US$11.0 million in 2021 and 2022, respectively, and will continue to record cost of services going forward. Third-party contracting costs include fees paid to CROs pursuant to services agreements we have entered into with them. For details on our CRO services agreements and fees paid thereunder, see “Business—Research and Development—Collaboration with CROs.” Labor costs primarily include salaries, welfare and pension costs for our research and development employees.

During the Track Record Period, we recorded cost of sales of nil for our software solution services. Our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our AI software platform. Therefore, these costs were included in our research and development expenses. We recorded cost of services of nil for our drug discovery service in 2021 because the costs related to drug discovery services were small in scale.

Our research and development expenses increased from US$38.5 million for 2021 to US$78.2 million for 2022, which was primarily attributable to the increase in third-party contracting costs paid to CROs and CDMOs from US$27.6 million in 2021 to US$53.8 million in 2022 and the increase in labor costs from US$7.8 million in 2021 to US$16.0 million in 2022 which is in line with the expansion of our pipeline. Our research and development expenses incurred for our Core Product were US$3.6 million and US$9.3 million in 2021 and 2022, respectively.

For more details, see “Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income.”
Summary of Our Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report set out in Appendix I to this Document.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
<th>As of December 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ (in thousands)</td>
<td>US$</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>3,972</td>
<td>16,035</td>
</tr>
<tr>
<td>Total current assets</td>
<td>165,191</td>
<td>218,751</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>169,163</strong></td>
<td><strong>234,786</strong></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>410,362</td>
<td>682,488</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>442</td>
<td>1,841</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>410,804</strong></td>
<td><strong>684,329</strong></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury share</td>
<td>(11,462)</td>
<td>(11,346)</td>
</tr>
<tr>
<td>Share premium and reserves</td>
<td>(230,179)</td>
<td>(438,197)</td>
</tr>
<tr>
<td><strong>Total deficit</strong></td>
<td><strong>(241,641)</strong></td>
<td><strong>(449,543)</strong></td>
</tr>
</tbody>
</table>

The following table sets forth our current assets and current liabilities as of the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
<th>As of December 31, 2022</th>
<th>As of April 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ (in thousands)</td>
<td>US$</td>
<td>US$ ( unaudited)</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,650</td>
<td>10,868</td>
<td>8,654</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>161,541</td>
<td>207,883</td>
<td>173,257</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>165,191</strong></td>
<td><strong>218,751</strong></td>
<td><strong>181,911</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>5,796</td>
<td>18,495</td>
<td>10,112</td>
</tr>
<tr>
<td>Amount due to a related party</td>
<td>2,582</td>
<td>8,422</td>
<td>9,570</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>666</td>
<td>1,382</td>
<td>1,418</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>401,140</td>
<td>648,978</td>
<td>648,978</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>178</td>
<td>5,211</td>
<td>5,787</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>410,362</strong></td>
<td><strong>682,488</strong></td>
<td><strong>675,865</strong></td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td><strong>245,171</strong></td>
<td><strong>463,737</strong></td>
<td><strong>493,954</strong></td>
</tr>
</tbody>
</table>

We had net current liabilities of US$494.0 million as of April 30, 2023, compared to net current liabilities of US$463.7 million as of December 31, 2022. The change was primarily due to a decrease in bank balances and cash from US$207.9 million to US$173.3 million and an increase in amount due to a related party from US$8.4 million to US$9.6 million, which was offset by a decrease in trade and other payables from US$18.5 million to US$10.1 million.

We had net current liabilities of US$463.7 million as of December 31, 2022, compared to net current liabilities of US$245.2 million as of December 31, 2021. The change was primarily due to an increase in financial liabilities at FVTPL from US$401.1 million to US$649.0 million and an increase in trade and other payables from US$5.8 million to US$18.5 million, which was partially offset by an increase in bank balances and cash from US$161.5 million to US$207.9 million.
For more details, see “Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position.”

Summary of Our Consolidated Statements of Cash Flows

The following table sets forth summary data from our consolidated statements of cash flows for the periods indicated.

<table>
<thead>
<tr>
<th>For the year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss for the year</td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>Operating cash flows before movements in working capital</td>
<td>(41,922)</td>
<td>(65,135)</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>3,852</td>
<td>17,618</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(38,070)</td>
<td>(47,517)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,051)</td>
<td>(13,580)</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>179,409</td>
<td>107,148</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>140,288</td>
<td>46,051</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes</td>
<td>(171)</td>
<td>291</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>161,541</td>
<td>207,883</td>
</tr>
</tbody>
</table>

Our net cash used in operation activities was US$38.1 million and US$47.5 million for 2021 and 2022, respectively. During the Track Record Period, we incurred negative cash flows from our operations, and substantially most of our operating cash outflows have resulted from our research and development activities.

During the Track Record Period, we derived our cash inflows from financing activities primarily from issue of convertible redeemable preferred shares. Our management closely monitors the use of cash and cash balances and has maintained a healthy liquidity for our operations. As our business develops and expands, we expect to generate more cash flow from our operating activities through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

Our cash burn rate refers to the average monthly net cash used in operating activities and capital expenditures. We had cash and cash equivalents of US$207.9 million as of December 31, 2022. We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED] in this Document. Assuming an average cash burn rate going forward of [2.0] times the level in 2022, we estimate that our cash and cash equivalents as of December 31, 2022 will be able to maintain our financial viability for [21] months or, if we take into account the estimated [REDACTED] from the [REDACTED], [REDACTED]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.
SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratio of our Group as of the dates indicated.

<table>
<thead>
<tr>
<th>Current ratio</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40.3</td>
<td>32.1</td>
</tr>
</tbody>
</table>

*Note: Current ratio equals current assets divided by current liabilities as of the end of the year/period.*

Our current ratio was 32.1% for 2022. Our current ratio decreased for 2022 compared to that for 2021, primarily due to an increase in trade and other payables and amount due to a related party and contract liabilities.

[REDACTED] FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the [REDACTED], including the Shares which may be issued pursuant to the exercise of the [REDACTED], and (ii) the Shares to be issued under the [REDACTED] Equity Incentive Plans.

No part of our Company’s share or loan capital is [REDACTED] on or traded on any other stock exchange and no such [REDACTED] or permission to trade is being or proposed to be sought in the near future. All [REDACTED] will be registered on the [REDACTED] of our Company in order to enable them to be [REDACTED] on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any [REDACTED] will be invalid if the [REDACTED] of and permission to [REDACTED] the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the [REDACTED], or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.
DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in a general meeting, and will depend on a number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business (i.e. the solvency test as provided in the Cayman Companies Act). As advised by our Cayman counsel, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that we satisfy the solvency test set out in the Cayman Companies Act. There is no assurance that dividends of any amount will be declared to be distributed in any year.

USE OF [REDACTED]

We estimate that the aggregate [REDACTED] to our Company from the [REDACTED] (after deducting [REDACTED] and estimated expenses in connection with the [REDACTED] payable by us and assuming that the [REDACTED] is not exercised and an [REDACTED] of HK$[REDACTED] per Share) will be approximately HK$[REDACTED]. We currently intend to apply such [REDACTED] for the following purposes:

• Approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) to fund further clinical research and development of our Core Product, ISM001-055;

• Approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) to fund the research and development of our other pipeline drug candidates;

• Approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) for the further development and expansion of our robotics lab;

• Approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) for development of new generative AI models and the associated validation work; and

• Approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used for working capital and other general corporate purposes.

For further details, see “Future Plans and Use of [REDACTED].”

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. For further details about these risks, see “Risk Factors.” Some of the major risks we face include:

• Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals or achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed.
SUMMARY

• Clinical development involves a lengthy and expensive process with uncertain outcomes. If our preclinical studies and clinical trials are not sufficient to support regulatory approval of any of our drug candidates, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development of such drug candidates.

• Our commercial success depends on our end-to-end AI technology platform and technological capabilities. If we fail to continuously improve our technology and provide innovative solutions that achieve and maintain the market acceptance of our platform and technological capabilities, our business, financial condition and results of operations may be materially and adversely affected.

• We have entered into collaborations with our partners and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all of the benefits of such alliances or licensing arrangements, and disputes may arise between us and our strategic collaboration partners which could adversely affect our business operations and financial condition.

• The regulatory approval processes of the FDA, the NMPA, the EMA, the Medsafe, the TGA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or experience material 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 biopharmaceutical industry may adversely affect our business.

• We may face difficulties in managing the growth of our business and our expansion plans and operations or implementing our business strategies on schedule.

• Our international operations and expansion are subject to various risks.

• Our patent portfolio comprises a significant portion of patent applications. If we are unsuccessful in obtaining or maintaining patent or other adequate intellectual property protection for one or more of our technologies or product candidates due to any failure to grant our patent applications or licensed patent applications and/or issued patents covering one or more of our technologies or product candidates are found invalid or unenforceable if challenged in court or before administrative bodies, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

• The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC laws.

[REDACTED]

The total [REDACTED] payable by our Company are estimated to be approximately HK$[REDACTED] assuming the [REDACTED] is not exercised and based on an [REDACTED] of HK$[REDACTED] (being the mid-point of our [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]). These [REDACTED] mainly comprise legal and other professional fees paid and payable to the professional parties, [REDACTED] payable to the [REDACTED], and printing and other expenses for their services rendered in relation to the [REDACTED] and the [REDACTED].

For 2021 and 2022, we incurred [REDACTED] for the [REDACTED] of [REDACTED] and [REDACTED], respectively. We estimate that additional [REDACTED] of approximately US$[REDACTED] (including [REDACTED])
SUMMARY

[REDACTED] and other expenses, assuming the [REDACTED] is not exercised and based on the mid-point of our [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]) will be incurred by us, approximately US$[REDACTED] of which is expected to be charged to our consolidated statements of profit or loss and approximately US$[REDACTED] of which is expected to be capitalized.

RECENT DEVELOPMENTS

Expected Loss

We expect that we will continue to incur a loss for 2023 due to (i) the anticipated costs associated with increased research and development activities and (ii) expenses in connection with the [REDACTED] incurred in 2023.

No Material Adverse Change

Our Directors confirm that up to the date of this Document, save as disclosed in this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2022, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this Document.
### DEFINITIONS

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Document.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“2019 Equity Incentive Plan”</td>
<td>the 2019 Equity Incentive Plan adopted by the Company and effective on December 31, 2019, the principal terms of which are set out in the section headed “Statutory and General Information — [REDACTED] Equity Incentive Plans” in Appendix IV to this Document</td>
</tr>
<tr>
<td>“2019 Share Plan”</td>
<td>the 2019 Share Plan adopted by the Company and effective on March 15, 2019 as amended and restated on December 31, 2019, the principal terms of which are set out in the section headed “Statutory and General Information — [REDACTED] Equity Incentive Plans” in Appendix IV to this Document</td>
</tr>
<tr>
<td>“2021 Equity Incentive Plan”</td>
<td>the 2021 Equity Incentive Plan adopted by the Company and effective on June 30, 2021, the principal terms of which are set out in the section headed “Statutory and General Information — [REDACTED] Equity Incentive Plans” in Appendix IV to this Document</td>
</tr>
<tr>
<td>“2022 Equity Incentive Plan”</td>
<td>the 2022 Equity Incentive Plan adopted by the Company and effective on November 25, 2022, the principal terms of which are set out in the section headed “Statutory and General Information — [REDACTED] Equity Incentive Plans” in Appendix IV to this Document</td>
</tr>
<tr>
<td>“Accountants’ Report”</td>
<td>the accountants’ report prepared by Deloitte Touche Tohmatsu, details of which are set out in Appendix I to this Document</td>
</tr>
<tr>
<td>“affiliate(s)”</td>
<td>with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person</td>
</tr>
<tr>
<td>“AFRC”</td>
<td>Accounting and Financial Reporting Council (會計及財務報告局)</td>
</tr>
<tr>
<td>“Articles of Association” or “Articles”</td>
<td>the seventh amended and restated articles of association of our Company adopted on [●], 2023, as amended from time to time, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix III to this Document</td>
</tr>
<tr>
<td>“associate(s)”</td>
<td>has the meaning ascribed to it under the Listing Rules</td>
</tr>
<tr>
<td>“Audit Committee”</td>
<td>the audit committee of the Board</td>
</tr>
<tr>
<td>“Board”, “Board of Directors” or “our Board”</td>
<td>the board of Directors of our Company</td>
</tr>
<tr>
<td>“Business Day”</td>
<td>a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong</td>
</tr>
</tbody>
</table>
### DEFINITIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>“CEO”</td>
<td>chief executive officer of our Company</td>
</tr>
<tr>
<td>“CFO”</td>
<td>chief financial officer of our Company</td>
</tr>
<tr>
<td>“China”, “PRC” or “Mainland China”</td>
<td>the People’s Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region</td>
</tr>
<tr>
<td>“close associate(s)”</td>
<td>has the meaning ascribed thereto under the Listing Rules</td>
</tr>
<tr>
<td>“Companies Act” or “Cayman Companies Act”</td>
<td>the Companies Act of the Cayman Islands, as amended, supplemented or otherwise modified from time to time</td>
</tr>
<tr>
<td>“co-CEO”</td>
<td>co-chief executive officer of our Company</td>
</tr>
</tbody>
</table>
DEFINITIONS

“Companies Ordinance” the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

“Company”, “our Company”, or “the Company” InSilico Medicine Cayman TopCo (formerly known as Insilico Medicine Cayman TopCo), an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2018

“Compliance Adviser” Guotai Junan Capital Limited

“connected person(s)” has the meaning ascribed thereto under the Listing Rules

“connected transaction(s)” has the meaning ascribed thereto under the Listing Rules

“Core Product” ISM001-055, also known as INS018_055, the designated “core product” as defined under Chapter 18A of the Listing Rules

“Corporate Governance Code” the Corporate Governance Code set out in Appendix 14 to the Listing Rules

“CSRC” the China Securities Regulatory Commission (中國證券監督管理委員會)

“Director(s)” the directors of our Company, including all executive, non-executive and independent non-executive Directors

“EIT” the PRC enterprise income tax

“EIT Law” the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

“ESG” environmental, social and governance

“ESG Committee” the ESG committee of the Board

“Extreme Conditions” extreme conditions caused by a super typhoon as announced by the government of Hong Kong

“FDA” the Food and Drug Administration of the U.S.

“Fosun” Fosun Industrial Co., Limited or its Affiliates as depending on the context

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party

“Frost & Sullivan Report” an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document

[REDACTED]
DEFINITIONS

“Greater China” — the People’s Republic of China, and for the purpose of this Document and for geographical reference only and except where the context requires, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region.

“Group”, “our Group”, “our”, “we” or “us” — our Company and our subsidiaries 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, such subsidiaries as if they were subsidiaries of our Company at the relevant time.

“HK$” or “Hong Kong Dollars” or “HK Dollars” and “HK cents” — Hong Kong dollars, the lawful currency of Hong Kong.

“Hong Kong” or “HK” — the Hong Kong Special Administrative Region of the PRC.

“Hong Kong Stock Exchange” or “Stock Exchange” — The Stock Exchange of Hong Kong Limited.

“Hong Kong Takeovers Code” or “Takeover Code” — the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time.
### DEFINITIONS

**“IFRS”**  
International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the IASB

**“Independent Third Party(ies)”**  
any entity or person, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

**“Insilico AI”**  
Insilico Medicine AI Limited, a limited liability company incorporated in the United Arab Emirates on July 29, 2022 and wholly owned subsidiary of Insilico SubCo

**“Insilico Canada”**  
InSilico Medicine Canada Inc., a company incorporated in Canada on June 6, 2022 and wholly owned subsidiary of Insilico SubCo

**“Insilico Inc.”**  
InSilico Medicine Inc., a corporation incorporated in the State of Delaware, United States on February 10, 2014 and the former holding company of our Group prior to the Reorganization, as further described in “History, Reorganization and Corporate Structure”

**“Insilico Hong Kong”**  
InSilico Medicine Hong Kong Limited, a limited company incorporated in Hong Kong on January 11, 2019 and wholly-owned subsidiary of Insilico SubCo

**“Insilico IP”**  
Insilico Medicine IP Limited, a limited company incorporated in Hong Kong on June 21, 2019 and wholly owned subsidiary of Insilico SubCo

**“Insilico Shanghai”**  
Insilico Medicine Ltd. (英矽智能科技(上海)有限公司), a limited liability company established in the PRC on June 13, 2019 and wholly owned subsidiary of Insilico Hong Kong

**“Insilico SubCo”**  
InSilico Medicine Cayman SubCo, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2018 and wholly owned subsidiary of our Company

**“Insilico Suzhou”**  
InSilico Medicine Suzhou Ltd. (英矽智能科技(蘇州)有限公司), a limited liability company established in the PRC on September 1, 2021 and wholly owned subsidiary of Insilico Hong Kong

**“Insilico Taiwan”**  
Insilico Medicine Taiwan Limited (英科智能有限公司), a limited company incorporated in Taiwan on April 16, 2018 and wholly owned subsidiary of Insilico SubCo
<table>
<thead>
<tr>
<th>DEFINITIONS</th>
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</thead>
<tbody>
<tr>
<td>“Insilico US”</td>
</tr>
<tr>
<td>InSilico Medicine US Inc., a corporation incorporated in the State of Delaware, United States on February 11, 2019 and wholly owned subsidiary of Insilico SubCo</td>
</tr>
<tr>
<td>[REDACTED]</td>
</tr>
<tr>
<td>“Joint Sponsors”</td>
</tr>
<tr>
<td>the joint sponsors of the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”</td>
</tr>
<tr>
<td>“Latest Practicable Date”</td>
</tr>
<tr>
<td>June 20, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication</td>
</tr>
<tr>
<td>“[REDACTED]”</td>
</tr>
<tr>
<td>the [REDACTED] of our Shares on the Main Board</td>
</tr>
</tbody>
</table>
DEFINITIONS

“[REDACTED]” the date, expected to be on or about [REDACTED], on which the Shares are to be [REDACTED] and on which [REDACTED] in the Shares are to be first permitted to take place on the Stock Exchange

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

“Memorandum” or “Memorandum of Association” the seventh amended and restated memorandum of association of our Company, conditionally adopted on [●], 2023, with effect from the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this Document

“Mir Pharma” Mir Pharma Innovation Limited, a limited company incorporated in Hong Kong on June 1, 2021 and wholly owned subsidiary of Insilico SubCo

“Mr. Alex Zhavoronkov, Ph.D.” Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov) Ph.D., our founder, chairman of the Board, executive Director and CEO

“NHC” the National Health Commission of the PRC (中华人民共和國國家衛生健康委員會)

“NMPA” the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA

“Nomination Committee” the nomination committee of the Board

“NPC” the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]
“Ordinary Share(s)” common share(s) in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED], or (ii) US$[REDACTED] each following the [REDACTED], as the context requires

“PBOC” the People’s Bank of China (中國人民銀行), the central bank of the PRC

“Pharma.AI” the Company’s artificial intelligence platform consisting of Biology42, Chemistry42 and Medicine42, for target discovery, small molecule and biologics generation and clinical trial prediction and optimization

“PRC Legal Advisor” Jingtian & Gongcheng, our legal advisor on PRC laws in connection with the [REDACTED]

“[REDACTED] Equity Incentive Plans” collectively, the 2019 Share Plan, the 2019 Equity Incentive Plan, the 2021 Equity Incentive Plan and the 2022 Equity Incentive Plan

“[REDACTED] Investment(s)” the investment(s) in our Company undertaken by the [REDACTED] Investors prior to this [REDACTED], the details of which are set out in “History, Reorganization and Corporate Structure”

“[REDACTED] Investor(s)” the Series A Investors, Series B Investors, the Series C1 Investors, the Series C2 Investors, the Series C+ Investor and the Series D Investors

“Preferred Shares” preferred shares(s) in the share capital of our Company, including the Series A Preferred Shares, the Series B Preferred Shares, the Series C1 Preferred Shares, the Series C2 Preferred Shares and the Series D Preferred Shares

“QIB” a qualified institutional buyer within the meaning of Rule 144A
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Regulation S”</td>
<td>Regulation S under the U.S. Securities Act</td>
</tr>
<tr>
<td>“Remuneration Committee”</td>
<td>the remuneration committee of the Board</td>
</tr>
<tr>
<td>“Renminbi” or “RMB”</td>
<td>the lawful currency of the PRC</td>
</tr>
<tr>
<td>“RSU”</td>
<td>restricted stock unit</td>
</tr>
<tr>
<td>“Rule 144A”</td>
<td>Rule 144A under the U.S. Securities Act</td>
</tr>
<tr>
<td>“SAFE”</td>
<td>the State Administration of Foreign Exchange of the PRC</td>
</tr>
<tr>
<td>“SAT”</td>
<td>the State Taxation Administration of the PRC</td>
</tr>
<tr>
<td>“Series A Investors”</td>
<td>the holders of the Series A Preferred Shares</td>
</tr>
<tr>
<td>“Series A Preferred Shares”</td>
<td>series A preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED]; or (ii) US$[REDACTED] each following the [REDACTED], as the context requires</td>
</tr>
<tr>
<td>“Series B Investors”</td>
<td>the holders of the Series B Preferred Shares</td>
</tr>
<tr>
<td>“Series B Preferred Shares”</td>
<td>series B preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED]; or (ii) US$[REDACTED] each following the [REDACTED], as the context requires</td>
</tr>
<tr>
<td>“Series C1 Investors”</td>
<td>the holders of the Series C1 Preferred Shares</td>
</tr>
<tr>
<td>“Series C1 Preferred Shares”</td>
<td>series C1 preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED]; or (ii) US$[REDACTED] each following the [REDACTED], as the context requires</td>
</tr>
<tr>
<td>“Series C2 Investors”</td>
<td>the holders of the Series C2 Preferred Shares</td>
</tr>
<tr>
<td>“Series C2 Preferred Shares”</td>
<td>series C2 preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED]; or (ii) US$[REDACTED] each following the [REDACTED], as the context requires</td>
</tr>
<tr>
<td>“Series C+ Investor”</td>
<td>the holder of the Series C1 Preferred Shares and Series C2 Preferred Shares pursuant to a Series C+ share purchase agreement dated November 12, 2021</td>
</tr>
<tr>
<td>“Series D Investors”</td>
<td>the holders of the Series D Preferred Shares</td>
</tr>
<tr>
<td>“Series D Preferred Shares”</td>
<td>series D preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [REDACTED]; or (ii) US$[REDACTED] each following the [REDACTED], as the context requires</td>
</tr>
</tbody>
</table>
DEFINITIONS

“SFC” the Securities and Futures Commission of Hong Kong

“SFO” or “Securities and Futures Ordinance” the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

“Share(s)” shares in the share capital of our Company at the relevant time as the context requires, which refer to (i) Ordinary Shares and Preferred Shares prior to the conversion of the Preferred Shares to Ordinary Shares; or (ii) Ordinary Shares following the conversion of the Preferred Shares to Ordinary Shares

[REDACTED]

“Shareholder(s)” holder(s) of our Share(s)

“Sophisticated Investor(s)” has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange

[REDACTED]

“State Council” the State Council of the PRC (中华人民共和国国务院)

“subsidiary(ies)” has the meaning ascribed thereto under the Listing Rules

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“Takeovers Code” the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time

“Track Record Period” the period comprising the two financial years ended December 31, 2021 and 2022

“U.S. Government” the federal government of the United States, including its executive, legislative and judicial branches

“U.S. persons” U.S. persons as defined in Regulation S

“U.S. Securities Act” United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“United States”, “USA” or “U.S.” the United States of America, its territories, its possessions and all areas subject to its jurisdiction

“US$” or “U.S. dollars” the lawful currency of the U.S.

“VAT” value-added tax
“%” per cent

Unless otherwise specified, all references in this document to any shareholdings in our Company following the completion of the [REDACTED] and the [REDACTED] assume that the [REDACTED] is not exercised and does not take into account the Shares to be issued under the [REDACTED] Equity Incentive Plans.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.
**GLOSSARY OF TECHNICAL TERMS**

This glossary contains explanations of certain technical terms used in this document in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
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</thead>
<tbody>
<tr>
<td>“3CL_pro/Mpro”</td>
<td>3-chymotrypsin-like protease, also called 3CL protease or main protease (“Mpro”),</td>
</tr>
<tr>
<td>“α-SMA”</td>
<td>alpha-smooth muscle actin, a marker for myofibroblast</td>
</tr>
<tr>
<td>“ACE”</td>
<td>angiotensin-converting enzyme</td>
</tr>
<tr>
<td>“ADME”</td>
<td>absorption, distribution, metabolism, and excretion, four key processes to describe the disposition of a pharmaceutical compound within an organism.</td>
</tr>
<tr>
<td>“AEs”</td>
<td>adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment</td>
</tr>
<tr>
<td>“AI”</td>
<td>artificial intelligence, the simulation of human intelligence processes by machines, especially computer systems</td>
</tr>
<tr>
<td>“AIDD”</td>
<td>AI-based drug discovery and development</td>
</tr>
<tr>
<td>“antibody (Ab)”</td>
<td>also known as an immunoglobulin (Ig), a protein used by the immune system to recognize and bind an antigen</td>
</tr>
<tr>
<td>“antigen”</td>
<td>the substance that is capable of stimulating an immune response, specifically activating lymphocytes, which are the body’s infection-fighting white blood cells</td>
</tr>
<tr>
<td>“apoptosis”</td>
<td>a form of programmed cell death in which a programmed sequence of events leads to the elimination of cells</td>
</tr>
<tr>
<td>“ATP”</td>
<td>adenosine triphosphate, an organic compound and hydrotrope that provides energy to drive many processes in living cells</td>
</tr>
<tr>
<td>“AUC”</td>
<td>area under curve, a parameter of systemic exposure</td>
</tr>
<tr>
<td>“BID”</td>
<td>twice-daily administration</td>
</tr>
<tr>
<td>“BRCA”</td>
<td>includes tumor suppressor genes BRCA1 and BRCA2</td>
</tr>
<tr>
<td>“BRPF1”</td>
<td>bromodomain and PHD finger-containing protein 1</td>
</tr>
<tr>
<td>“c-MYC”</td>
<td>c-myelocytomatosis, a protein acts as a “master regulator” of cellular metabolism and proliferation</td>
</tr>
<tr>
<td>“CAGR”</td>
<td>compound annual growth rate</td>
</tr>
<tr>
<td>“CCL”</td>
<td>C-C motif chemokine ligand</td>
</tr>
<tr>
<td>“CCR”</td>
<td>C-C motif chemokine receptor</td>
</tr>
<tr>
<td>“CDK12”</td>
<td>cyclin dependent kinase 12</td>
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</tbody>
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GLOSSARY OF TECHNICAL TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>“CDMO”</td>
<td>contract development and manufacturing organization, a company in the pharmaceutical industry to provide drug development and manufacturing services.</td>
</tr>
<tr>
<td>“cGCP”</td>
<td>current good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans</td>
</tr>
<tr>
<td>“cGMP”</td>
<td>current good manufacturing practice; The provisions of GMP for drugs were enacted in accordance with the Drug Administration Law of the PRC and the Regulations for Implementation of the Drug Administration Law of the PRC to regulate the manufacturing and quality management of Drugs. The purpose is to ensure that the drug products are consistently manufactured in accordance with the registration requirements and are suitable for their intended use</td>
</tr>
<tr>
<td>“chemotherapy”</td>
<td>a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen</td>
</tr>
<tr>
<td>“CKD”</td>
<td>chronic kidney disease, also called chronic kidney failure, a disease involving a gradual loss of kidney function</td>
</tr>
<tr>
<td>“clinical trial/study”</td>
<td>a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs</td>
</tr>
<tr>
<td>“CMC”</td>
<td>chemistry, manufacturing and controls</td>
</tr>
<tr>
<td>“CMO”</td>
<td>contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing</td>
</tr>
<tr>
<td>“cohort”</td>
<td>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</td>
</tr>
<tr>
<td>“combination therapy”</td>
<td>treatment in which a patient is given two or more drugs(or other therapeutic agents) for a single disease</td>
</tr>
<tr>
<td>“CRO”</td>
<td>contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis</td>
</tr>
<tr>
<td>“CsA”</td>
<td>cyclosporine, an immunosuppressive agent used to treat organ rejection post-transplant</td>
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<tr>
<td>“DAG”</td>
<td>diacylglycerol</td>
</tr>
<tr>
<td>“DDI”</td>
<td>Drug-drug interaction</td>
</tr>
<tr>
<td>“DGK”</td>
<td>diacylglycerol kinase</td>
</tr>
<tr>
<td>“DMT”</td>
<td>divalent metal transporter, a widely expressed, iron-preferring membrane transport protein.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>“DSS”</td>
<td>dextran sulfate sodium, a synthetic sulfated polysaccharide composed of dextran and sulfated anhydroglucose unit and has highly water solubility.</td>
</tr>
<tr>
<td>“DUB”</td>
<td>deubiquitinase enzyme, a group of proteases to cleave ubiquitin from proteins.</td>
</tr>
<tr>
<td>“EAF6”</td>
<td>Esa1-associated factor 6</td>
</tr>
<tr>
<td>“EC₅₀”</td>
<td>half maximal effective concentration, refers to the concentration of a drug, antibody or toxicant which induces a response halfway between the baseline and maximum after a specified exposure time</td>
</tr>
<tr>
<td>“EMT”</td>
<td>epithelial-mesenchymal transition, non-motile epithelial cells are transformed into mesenchymal cells with invasive capacities</td>
</tr>
<tr>
<td>“ENPP1”</td>
<td>ectonucleotide pyrophosphatase / phosphodiesterase 1</td>
</tr>
<tr>
<td>“EPO”</td>
<td>erythropoietin, an essential hormone for red blood cell production</td>
</tr>
<tr>
<td>“ER”</td>
<td>estrogen receptor</td>
</tr>
<tr>
<td>“ESA”</td>
<td>erythropoietin stimulating agent, medications which stimulate the bone marrow to make red blood cells</td>
</tr>
<tr>
<td>“FANCD2”</td>
<td>Fanconi anemia complementation group D2</td>
</tr>
<tr>
<td>“FANCI”</td>
<td>Fanconi anemia complementation group I</td>
</tr>
<tr>
<td>“FMT”</td>
<td>fibroblast-to-myofibroblast transition, as a crucial source of myofibroblasts, activation of the fibroblast to become myofibroblast,</td>
</tr>
<tr>
<td>“fibrosis”</td>
<td>a condition marked by increase of interstitial fibrous tissue</td>
</tr>
<tr>
<td>“FPN”</td>
<td>ferroportin, a transmembrane protein that transports iron from the inside of a cell to the outside of the cell.</td>
</tr>
<tr>
<td>“GMP”</td>
<td>good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products</td>
</tr>
<tr>
<td>“HAT”</td>
<td>histone acetyltransferase</td>
</tr>
<tr>
<td>“Hb”</td>
<td>blood hemoglobin, a protein in red blood cells to carry oxygen throughout the body.</td>
</tr>
<tr>
<td>“HCT”</td>
<td>hematocrit, the percentage of red blood cells in your blood</td>
</tr>
<tr>
<td>“HER2”</td>
<td>receptor tyrosine-protein kinase erbB-2</td>
</tr>
<tr>
<td>“HIF”</td>
<td>hypoxia-inducible factors</td>
</tr>
</tbody>
</table>
GLOSSARY OF TECHNICAL TERMS

“HR+/HER2- metastatic breast cancer”  the most common type of metastatic breast cancer with overexpression of HR and without overexpression of HER2

“HRD”  homologous recombination deficiency, a tumor with the inability to accurately repair double-strand breaks in DNA via homologous recombination.

“HRE”  hypoxia-responsive element, a sequence that is recognized by hypoxia-inducible factor (HIF), which is the main transcription factor recruited in hypoxia.

“IBD”  inflammatory bowel disease, a term for two conditions (Crohn’s disease and ulcerative colitis) that are characterized by chronic inflammation of the gastrointestinal tract.

“IC_{50}”  half maximal inhibition, a measure of the potency of a substance in inhibiting a specific biological or biochemical function.

“IHC”  immunohistochemistry, a method in histology to detect the presence of a specific protein marker.

“immuno-oncology”  a type of immunotherapy that is specifically targeted to fight cancer.

“immunology”  study of immune systems in an organism in biological science.

“immunotherapy”  use of the immune system to treat disease.

“indication”  a valid reason to use a specific test, drug, device, procedure or surgery.

“in vivo” studies in which the effects of various biological entities are tested on whole, living organisms or cells, usually animals, including humans, and plants, as opposed to a tissue extract or dead organism.

“in vitro” studies that are performed with microorganisms, cells, or biological molecules outside their normal biological context.

“IND”  investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials.

“ING5”  inhibitor of growth 5.

“IPF”  idiopathic pulmonary fibrosis, a condition in which the lungs become scarred and breathing becomes increasingly difficult.

“KAT6”  K (lysine) acetyltransferase 6.

“Life Star 1”  Life Star 1 lab or Life Star 1 application as depending on the context.

“lines of treatment” different methods to treating cancer at different times, such first-line, second-line, third-line etc.

“mAb”  monoclonal antibody, an antibody generated by identical immune cells that are all clones of the same parent cell.
GLOSSARY OF TECHNICAL TERMS

“MAPK” mitogen-activated protein kinase

“MAT2A” methionine adenosyltransferase 2α

“MDSC” myeloid-derived suppressor cells, immature myeloid cells to suppress immune responses and expand during cancer, infection, and inflammatory diseases

“metastatic” in reference to any disease, including cancer, disease-producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces

“monotherapy” therapy that uses a single drug to treat a disease or condition

“MTAP” methylthioadenosine phosphorylase

“MRCT” multi-regional clinical trial, a clinical trial that is conducted in different regions under a common trial design for simultaneous global new drug development

“MYST” Moz-Ybf2/Sas3-Sas2-Tip60, the largest family of histone acetyltransferases in all eukaryotes

“NDA” new drug application, a process required by an regulatory authority to approve a new drug for sale and marketing

“NOAEL” no-observed-adverse-effect level, the highest dose where the effects observed in the treated group do not imply an adverse effect to the subject.

“PA” phosphatidic acid, anionic phospholipids important to cell signaling and direct activation of lipid-gated ion channels

“PARP” poly (ADP-ribose) polymerase, a family of proteins involved in a number of cellular processes such as DNA repair, genomic stability, and programmed cell death

“PCNA” proliferating cell nuclear antigen, a nuclear homotrimeric protein that encircles DNA with classic attributes of a processivity factor in DNA replication

“PCT” Patent Cooperation Treaty

“PD” pharmacodynamics, the branch of pharmacology concerned with the effects of drugs and the mechanism of their action

“PD-1” programmed death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages, acting to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body

“PD-L1” programmed death-ligand 1, a protein on the surface of a normal cell or a cancer cell that attaches to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
GLOSSARY OF TECHNICAL TERMS

“PDX” patient derived xenografts, a model of cancer where the tissue or cells from a patient’s tumor are implanted into an immune-deficient or humanized mouse

“Phase I clinical trial(s)” 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 II clinical trial(s)” 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 product for specific targeted diseases, and to determine dosage tolerance and optimal dosage

“Phase III clinical trial(s)” study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product

“PHD” prolyl hydroxylase domain, enzymes to regulate the stability of the hypoxia-inducible factor in response to oxygen availability

“PK” pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug

“PKC” protein kinase C

“placebo” a medical treatment or preparation with no specific pharmacological activity

“preclinical studies” preclinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials

“primary endpoint” the main or most important outcome at the end of a study to determine whether a new drug or treatment worked

“PRMT5” protein arginine methyltransferase 5

“Proof of concept (POC)” an early stage of drug development used to demonstrate that a drug is likely to be successful

“QD” once-daily administration

“QPCTL” glutaminyl-peptide cyclotransferase-like

“refractory” a disease that is resistant at the beginning of treatment or becomes resistant during treatment

“registrational trial” a clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
### GLOSSARY OF TECHNICAL TERMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>“RES”</td>
<td>reticuloendothelial system, cells descending from the monocytes which are able to perform phagocytosis of foreign materials and particles</td>
</tr>
<tr>
<td>“RET”</td>
<td>reticulocytes, red blood cells that are still developing.</td>
</tr>
<tr>
<td>“RP2D”</td>
<td>recommended Phase II dose</td>
</tr>
<tr>
<td>“S1PR5”</td>
<td>sphingosine 1-phosphate receptor 5</td>
</tr>
<tr>
<td>“SAM”</td>
<td>S-adenosylmethionine, an important methyl donor derived from ATP and methionine</td>
</tr>
<tr>
<td>“SARS-CoV-2”</td>
<td>severe acute respiratory syndrome coronavirus 2, a strain of coronavirus that causes COVID-19 (coronavirus disease 2019)</td>
</tr>
<tr>
<td>“SCID mice”</td>
<td>severe combined immunodeficient mice, often used in the research of human disease</td>
</tr>
<tr>
<td>“SIRPα”</td>
<td>signal regulatory protein α, a transmembrane glycoprotein family involved in receptor tyrosine kinase-coupled signaling pathways</td>
</tr>
<tr>
<td>“standard of care (SOC)”</td>
<td>treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals</td>
</tr>
<tr>
<td>“TEAE”</td>
<td>treatment emergent adverse event</td>
</tr>
<tr>
<td>“TGI”</td>
<td>tumor growth inhibitor</td>
</tr>
<tr>
<td>“TIW”</td>
<td>three times a week</td>
</tr>
<tr>
<td>“TNBC”</td>
<td>triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor, progesterone receptor (PR) and HER2/neu</td>
</tr>
<tr>
<td>“TNBS”</td>
<td>2,4,6-trinitrobenzenesulfonic acid</td>
</tr>
<tr>
<td>“TNFα”</td>
<td>tumor necrosis factor α</td>
</tr>
<tr>
<td>“TNIK”</td>
<td>TRAF2 and NCK-interacting protein kinase</td>
</tr>
<tr>
<td>“UIP”</td>
<td>usual interstitial pneumonia, a form of lung disease characterized by progressive scarring of both lungs</td>
</tr>
<tr>
<td>“USP1”</td>
<td>ubiquitin specific peptidase 1</td>
</tr>
</tbody>
</table>
FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our goals and growth strategies;
- the implementation of our business model, strategic plans for our business and product candidates;
- the initiation, timing, progress, and results of our internal drug discovery programs efforts or the drug discovery programs efforts of our collaborators;
- potential of product candidates into, and successfully plan, conduct and complete, clinical trials in the future;
- the timing of, the ability to submit applications for and the ability to obtain and maintain regulatory approvals for any product candidates we or one of our collaborators may develop;
- our ability to increase sales of our drug discovery services, or if we are able to successfully develop, commercialize or maintain profitability of our drug products;
- our anticipated use of our existing resources and the [REDACTED] from this [REDACTED];
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing and our ability to obtain additional capital;
- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- our ability and the potential to successfully manufacture and supply our product candidates for clinical trials and for commercial use, if approved;
- relevant government policies and regulations relating to our business and industry;
- general economic and business condition in the markets we have businesses; and
- assumptions underlying or related to any of the foregoing.
FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section.

In this Document, statements of or references to our intentions or those of our Directors are made as of the date of this Document. Any such information may change in light of future developments.
RISK FACTORS

An [REDACTED] in our [REDACTED] involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an [REDACTED] in our [REDACTED]. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED]. In particular, we are a biotech company seeking to [REDACTED] on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Listing Rules 8.05 (1), (2) or (3). You may lose all or part of your [REDACTED] given the nature of the biotech industry.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this Document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to drug discovery and development; (ii) risks related to industry and commercialization of our drug candidates, (iii) risks related to extensive government regulations, (iv) risks related to our operations and financial prospects, (v) risks related to our intellectual property and (vi) risks related to the [REDACTED]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

Risks Related to Drug Discovery and Development

Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals or achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed.

Our ability to generate revenue and become profitable depends on the successful completion of the development of our drug candidates, obtaining necessary regulatory approvals, and manufacturing and commercializing our drug candidates. We have invested a significant portion of our efforts and financial resources in the development of our existing drug candidates, and we expect to continue to incur substantial and increasing expenditures for the development and commercialization of our drug candidates.

The success of our drug candidates will depend on several factors, including but not limited to:

• regulators, IRBs or ethics committees authorizing us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

• successful enrollment of volunteers in, and completion of, clinical trials, as well as completion of preclinical studies;

• favorable safety and efficacy data from our clinical trials and other studies;

• obtaining sufficient supplies of any qualified drug products that are used in combination with our drug candidates, competitor drugs or comparison drugs that may be necessary for use in clinical trials for evaluation of our drug candidates;

• receipt of regulatory approvals;
RISK FACTORS

- establishing sufficient commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by CROs or other third parties we may retain to conduct clinical trials, and their duties to us in a manner that complies with our protocols and applicable laws, and that protects the integrity of the resulting data;
- obtaining, maintaining and enforcing patent, trademark, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- avoiding infringement, misappropriation or violation of the patents, trademarks, trade secrets or other intellectual property rights of third parties, and successfully defending against any claims by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party;
- successfully launching commercial sales of our drug candidates, if and when approved;
- obtaining and maintaining favorable reimbursement from third-party payers for drugs, if and when approved;
- competition with other drug candidates and drugs; and
- continued acceptable safety profile of our drug candidates following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in obtaining approval for and/or successfully commercializing our drug candidates, which would materially and adversely affect our business, and we may not be able to generate sufficient revenues and cash flows to continue our operations.

Our investments and efforts in research and development to further advance our pipeline programs may not be successful or generate the expected benefits of such investments.

The global biologics market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. In 2021 and 2022, our research and development expenses were US$38.5 million and US$78.2 million, respectively. We expect to continue to invest significant amounts of human and financial resources to develop our pipeline, enhance our technologies, and increase the scope and quality of our services. These efforts will be capital and time intensive, but we cannot assure you that these efforts will be successful. Furthermore, we cannot assure you that we will be able to adapt to new technologies and methodologies, successfully identify new research and development opportunities, or obtain sufficient patent or other intellectual property protection for such new or enhanced research. Any failure to do so may diminish our technological advantage, which could reduce the competitiveness of our offerings, lowering demand for our products or services and harming our business prospects, results of operations, and financial condition.

The investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that such investments may not generate sufficient revenues to offset liabilities assumed and expenses associated with these new investments. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our business and operating results may be adversely affected.

Our limited experience as an organization in conducting or managing clinical development activities may adversely impact the likelihood that we will be successful in advancing our programs for which we decide to pursue by ourselves. Further, any predictions one makes about the future success or viability of our internal drug discovery programs may not be as accurate as they could be if we had a history of conducting clinical trials and developing our own product candidates.
RISK FACTORS

In addition, as our internal drug discovery business grows, we may encounter unforeseen expenses, difficulties, complications, delays, and other known and unknown factors. Our internal drug discovery business may need to transition to a business capable of supporting clinical development activities. We may not be successful in such a transition.

Clinical development involves a lengthy and expensive process with uncertain outcomes. If our pre-clinical studies and clinical trials are not sufficient to support regulatory approval of any of our drug candidates, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development of such drug candidates.

Clinical testing is expensive, is difficult to design and implement, can take many years to complete and has an uncertain outcome. Even if we can successfully advance our drug candidates into clinical development stage, we cannot guarantee that any of our clinical trials will be conducted as planned or completed on schedule, or at all. A failure of one or more clinical trials can occur at any stage of testing, which may result from a multitude of factors, including, but not limited to, flaws in trial design, dose selection issues, participant enrollment criteria and failure to demonstrate favorable safety or efficacy traits.

Before we can commence clinical trials for a drug candidate, we must complete extensive preclinical testing and studies that support our planned IND applications and other regulatory filings in applicable jurisdictions. We cannot be certain of the timely completion or outcome of our preclinical testing and studies and cannot predict if regulatory authorities will accept our proposed clinical programs or if the outcome of our preclinical testing and studies will ultimately support the further development of any drug candidates. As a result, we cannot be sure that we will be able to submit INDs or corresponding regulatory filings for our preclinical programs on the timelines we expect, if at all, and we cannot be sure that submission of INDs or these regulatory filings will result in regulatory authorities allowing clinical trials to begin.

The time required to obtain approval from the FDA, the NMPA, the EMA, the Medsafe, the TGA or other comparable regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of regulatory authorities. Before obtaining marketing approval from regulatory authorities for the sale of any drug candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of such drug candidates in humans. We have not yet completed a clinical trial of any of our drug candidates. Clinical trials may fail to demonstrate that our drug candidates are safe and effective for indicated uses. Even if the clinical trials are successful, changes in marketing approval policies during the development period, changes in or the enactment or promulgation of additional statutes, regulations or guidance or changes in regulatory review for each submitted product application may cause delays in the approval or rejection of an application.

Furthermore, drug candidates are subject to continued preclinical safety studies, which may be conducted concurrently with our clinical testing. The outcomes of these safety studies may delay the launch of or enrollment in future clinical trials and could impact our ability to continue to conduct our clinical trials.

Other events that may prevent successful or timely completion of clinical development include:

- inability to generate sufficient preclinical, toxicology or other in vivo or in vitro data to support the initiation of clinical trials;
- delays in reaching a consensus with regulatory authorities on trial design;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites;
- delays related to COVID-19 disruptions at CROs, CDMOs, and/or clinical trial sites;
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• delays in the opening of clinical trial sites or obtaining required IRB or IBC approval, or that of equivalent review groups for sites outside the United States, at each clinical trial site;

• imposition of a clinical hold by regulatory authorities, including as a result of a serious adverse event or after an inspection of our clinical trial operations or trial sites;

• failure by us, any CROs we engage or any other third parties to adhere to clinical trial requirements;

• failure to perform in accordance with Good Clinical Practices (“GCPs”);

• failure by investigators and clinical sites to adhere to protocols leading to variable results;

• failure of our delivery approach in humans;

• delays in the testing, validation, manufacturing and delivery of our drug candidates to the clinical sites, including delays by third parties with whom we have contracted to perform certain of those functions;

• failure of our third-party contractors to comply with regulatory requirements or to meet their contractual obligations to us in a timely manner, or at all;

• inability to enroll volunteers or delays in having enrolled volunteers complete their participation in a trial or return for post-administration follow-up;

• clinical trial sites or volunteers dropping out of a trial;

• selection of clinical endpoints that require prolonged periods of clinical observation or analysis of the resulting data;

• clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon development programs;

• occurrence of serious adverse events associated with the drug candidate or administration of the drug candidate that are viewed to outweigh its potential benefits;

• occurrence of serious adverse events or other unexpected events in trials of the same class of agents conducted by other sponsors;

• changes in regulatory requirements and guidance that require amending or submitting new clinical trial protocols;

• changes in the legal or regulatory regimes domestically or internationally related to patient rights and privacy; or

• lack of adequate funding to continue a given clinical trial.

Any inability to successfully complete preclinical studies and clinical trials could result in additional costs to us or impair our ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. And successful results in earlier studies in the clinical development process may not be predictive of future trial results.

In addition, if we make manufacturing or formulation changes to our drug candidates, we may need to conduct additional preclinical studies or clinical trials to bridge our modified drug candidates to earlier
versions. Clinical trial delays could also shorten any periods during which we may have the exclusive right to commercialize our drug candidates or allow our competitors to bring products to the market before we do, which could impair our ability to successfully commercialize our drug candidates and may harm our business, financial condition, results of operations and prospects.

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.

Before obtaining regulatory approvals from the FDA, the NMPA, the EMA, the Medsafe, the TGA or other comparable regulatory authorities for marketing our product candidates in the respective jurisdictions, we must conduct extensive nonclinical studies and clinical trials to demonstrate the safety and efficacy of our product candidates for the proposed indications. We cannot predict accurately when or whether any of our product candidates will prove effective or safe and will receive regulatory approvals. Clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to patient recruitment and outcome. A failure of one or more clinical trials can occur at any stage of clinical development.

We may experience numerous unexpected events prior to, during or as a result of clinical trials that could delay or prevent our ability to receive regulatory approvals or commercialize any of our product candidates, including but not limited to:

- the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities may disagree as to the numbers, design or implementation of our clinical trials, or may interpret the results from clinical trials differently as we do;

- manufacturing issues relating to our own facilities or CDMOs, including problems with chemistry, manufacturing process, supply quality, quality control, or compliance with good manufacturing practice ("GMP");

- clinical trials of our product candidates may produce negative or inconclusive results;

- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be insufficient or slower than we anticipate, volunteers may drop out of these clinical trials at a higher rate than we anticipate, or we may not be able to recruit eligible patients to participate in clinical trials;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of non-compliance with regulatory requirements, lack of clinical response or other unexpected characteristics, or a finding that volunteers are being exposed to unacceptable health risks;

- our product candidates may have undesirable side effects or other unexpected characteristics;

- the cost of clinical trials of our product candidates may be greater than we anticipate;

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate; and
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- the approval policies or regulations of the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities may significantly change in a manner rendering our previously generated clinical data insufficient for approval.

To the extent that the results of our clinical trials fail to demonstrate safety and efficacy to the satisfaction of the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities, the commercialization of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional clinical trials in support of potential approval of our product candidates. If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials are not positive or are only modestly positive, or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approvals for our product candidates; (ii) not obtain regulatory approvals at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the product removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the product is distributed or used; or (vii) be unable to obtain reimbursement for the use of the product.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our product candidates or allow our competitors to bring their products to the market before we do. This could impair our ability to commercialize our product candidates and may have an adverse effect on our business and results of operations.

Adverse events or undesirable side effects caused by our product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approvals, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approvals.

Drug-related adverse events and serious adverse events might be reported in our ongoing and/or future clinical trials. Adverse events caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials, or make significant changes to our clinical protocol or development plan, resulting in a more restrictive label or the delay in or denial of regulatory approvals by the FDA, the NMPA, the EMA, the Medsafe, the TGA or other comparable regulatory authorities, or limitations or withdrawal following approvals.

If results of our trials reveal a high and unacceptable severity or prevalence of certain adverse events, our trials could be suspended or terminated and the FDA, the NMPA, the EMA, the Medsafe, the TGA or other comparable regulatory authorities may order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications.

Adverse events caused by our drug candidates, including when used in combination therapy, which may involve unique adverse events that could be exacerbated compared to adverse events caused by monotherapies, and off-label use of our drug candidates could potentially cause significant negative consequences for our Company, including but not limited to:

- regulatory authorities could interrupt, delay or halt pending clinical trials;
- we may suspend, delay or alter development or marketing of our product candidates;
- regulatory authorities may order us to cease further development of, or deny approval of, our product candidates for any or all targeted indications if results of our clinical trials reveal a high and unacceptable severity or prevalence of certain adverse events;
- regulatory authorities may withdraw approvals or revoke licenses of an approved product candidate, or we may determine to do so even if not required;
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- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;

- we may be required to develop a risk evaluation mitigation strategy ("REMS") for our product candidates, or, if one is already in place, to incorporate additional requirements under the REMS, or to develop a similar strategy as required by the FDA, the NMPA, the EMA, the Medsafe, the TGA or a comparable regulatory authority;

- we may be required to conduct post-market studies;

- we could be subject to litigation proceedings and held liable for harm caused to patients; and

- the cost of clinical trials of our product candidates may be substantially higher than anticipated.

Any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims, which could prevent us from obtaining regulatory approvals or achieving or maintaining market acceptance of a particular product candidate, and could materially and adversely affect our business, results of operations and prospects.

*If we encounter difficulties enrolling participants in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.*

The timely completion of clinical trials in accordance with the respective protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the studies until their conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. Key factors for recruiting eligible patients to participate in our clinical trials include:

- the patient eligibility criteria defined in the protocol and the size and nature of the patient population who meets such criteria;

- the number of patients with the disease or condition being studied;

- the patients and their families’ understanding of the risks and benefits of the product candidate in the trial;

- clinicians’ and patients’ perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including conventional therapies, approved therapeutic products that may be used off-label, and other new therapies that may be approved for the indications we are investigating;

- the proximity of patients to study sites;

- the design of the clinical trials;

- our ability to engage clinical trial investigators with the appropriate competencies and experience;

- completing clinical trials for potential treatment options in the same therapeutic areas;

- our ability to obtain and maintain patient consents; and

- the risk that patients enrolled in clinical trials will drop out before the completion of their treatment.

In addition, since the number of qualified clinical investigators and suitable clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our
competitors use over the same period. Some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors in the same clinical trial sites and time frame, which could reduce the number of patients who are available for our clinical trials in these clinical trial sites.

Delays or difficulties in patient enrollment may result in increased costs or may affect the timing or outcome of planned clinical trials, which could delay or prevent completion of these clinical trials and adversely affect our ability to advance the development of our product candidates. The outbreak of COVID-19 had an impact on our patient enrollment. For additional information, see “— Risks Related to Our Operations and Financial Prospects — The COVID-19 pandemic has been and may materially and adversely affect our business, operating results and financial condition.” In addition, many of the factors that may lead to a delay in the commencement or completion of clinical trials may ultimately lead to the denial of regulatory approvals for our product candidates.

The data and information that we gather in our research and development process could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.

We collect, aggregate, process, and analyze data and information from our drug discovery activities, and expect to continue to collect, aggregate, process, and analyze data and information from such activities going forward. Because data in the AI-driven drug R&D service industry is fragmented in origin, inconsistent in format, and often incomplete, the overall quality of data collected or accessed in the healthcare industry is often subject to challenge, the degree or amount of data which is knowingly or unknowingly absent or omitted can be material, and we may discover data issues and errors when monitoring and auditing the quality of our data. If we make mistakes in the capture, input, or analysis of these data, our ability to provide high-quality drug discovery services or advance the development of drug candidates may be materially harmed and our business, prospects and reputation may suffer.

In the long term, we also expect to engage in the procurement of regulatory approvals necessary for the development and commercialization of our assets under development, for which we expect to manage and submit data to governmental entities. These future processes and submissions will be governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our future clinical trials that we may announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data, in which case we may be exposed to liability to a customer or government agency that concludes that our storage, handling, submission, delivery, or display of health information or other data was wrongful or erroneous.

In addition, we plan to collaborate with CROs, CDMOs and other third parties to monitor and manage data for some of our ongoing preclinical and future clinical programs and control only certain aspects of their activities. If any of our CROs, CDMOs or other third parties do not perform to our standards in terms of data accuracy or completeness, data from those preclinical and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities.

We may not realize a return on our investment of resources and cash in our drug discovery and development efforts and collaborations.

We may never realize a return on our investment of resources and cash in our drug discovery efforts and collaborations. Our drug discovery collaborations may not lead to the development or commercialization of product candidates, which result in our receipt of upfront payments, or milestone payments in a timely manner, or at all. If any drug discovery collaborations that we enter into do not result in the successful development and commercialization of drug products that for which we receive upfront or milestone payments, we may not receive adequate return on the resources we have invested in the drug discovery collaborations. Moreover, even if a drug discovery collaboration initially leads to the achievement of milestones that result in payments to us, it may not continue to do so.
Our ability to generate revenues from these arrangements will depend on our collaborators’ abilities and efforts to perform the functions assigned to them in these arrangements successfully. Our drug discovery collaborators may incur additional costs or experience delays in the development and commercialization of any product candidates. Drug discovery collaborations could involve numerous risks, including:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to our collaborations and may not perform their obligations as expected;
- collaborators may not pursue development or commercialization of any product candidates for which we are entitled to upfront payments or milestone payments or may elect not to continue or renew development or commercialization programs based on results of clinical trials or other studies, changes in the collaborator’s strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials for which we are entitled to milestone payments;
- drug discovery collaborators have significant discretion in determining when to make announcements about the status of our collaborations, including whether to announce preclinical and clinical developments and timelines for advancing the collaborative programs;
- we may not have access to, or may be restricted from disclosing, certain information regarding our collaborators’ product candidates being developed or commercialized and, consequently, may have limited ability to inform our Shareholders about the status of, and likelihood of achieving, milestone payments under such collaborations;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with any product candidates and products for which we are entitled to milestone payments;
- product candidates discovered in drug discovery collaborations with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause our collaborators to cease to devote resources to the commercialization of any such product candidates;
- existing collaborators and potential future collaborators may begin to perceive us to be a competitor more generally, particularly as we advance our internal drug discovery programs, and therefore may be unwilling to continue existing collaborations with us or to enter into new collaborations with us;
- collaborators may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution, or marketing of a product candidate or product, which may impact our ability to receive milestone payments;
- disagreements with collaborators, including disagreements over intellectual property or proprietary rights, contract interpretation, or the preferred course of development, might cause delays or terminations of the research, development, or commercialization of product candidates for which we are eligible to receive milestone payments, or might result in litigation or arbitration;
- collaborators may not properly obtain, maintain, enforce, defend or protect our intellectual property or proprietary rights or may use our proprietary information in such a way as to potentially lead to disputes or legal proceedings that could jeopardize or invalidate our or their intellectual property or proprietary information or expose us and them to potential litigation;
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- collaborators may infringe, misappropriate, or otherwise violate the intellectual property or proprietary rights of third parties, which may expose us to litigation and potential liability; and

- our collaborations may be terminated prior to our receipt of any significant value from such collaborations.

*We have engaged and expect to continue utilizing CROs, CDMOs and other third-party partners in our research and development process. If such organizations do not meet our requirements for supplies or services, development of our product candidates may be delayed.*

We have engaged and expect to utilize CROs, CDMOs and other third-party partners in our research and development process, including synthesizing molecules. Using third parties may expose us to different risks than if we were to synthesize molecules ourselves. We may not be able to fulfill, or may be delayed in producing sufficient product candidates to meet our internal development or supply requirements if these third parties do not successfully carry out their contractual duties, meet expected deadlines, or synthesize molecules in accordance with regulatory requirements; if there are disagreements between us and such parties; or if such parties are unable to expand capacities. These third parties may also be affected by natural disasters, such as floods or fire, health epidemics, including the ongoing COVID-19 pandemic, or geopolitical developments. These third parties could face production issues, such as contamination or regulatory concerns following a regulatory inspection of their facilities. In such instances, we may need to locate an appropriate replacement third-party facility and establish a contractual relationship, which may not be readily available or on acceptable terms, which would cause additional delay and increased expense, and may have a material adverse effect on our business.

As a result of capacity constraints or delays or disruptions in the market for the raw materials or active pharmaceutical ingredient ("API"), we or any third party, such as our CDMOs, may also encounter shortages in the raw materials or API necessary to synthesize molecules we may discover in the quantities needed for preclinical studies or clinical trials. Even if raw materials or API are available, we may be unable to obtain sufficient quantities at a reasonable cost or of acceptable quality. Failure by us or the third parties to obtain the raw materials or API necessary to synthesize sufficient quantities of molecules we may discover could cause our development efforts to be delayed, prevented, or impaired, which may have a material adverse effect on our business.

*We primarily use third parties to monitor, support and conduct our on-going preclinical studies and future clinical trials. Therefore, we may not be able to directly control the timing, conduct, expense and quality of our preclinical studies or future clinical trials and we cannot assure these third parties can duly perform their obligations as agreed and expected.*

We primarily use research organizations that are beyond our control to monitor, support, and conduct ongoing and future preclinical study and clinical trials of our pipeline product candidates. As a result, we have less control over the quality, timing and cost of these studies and the ability to recruit trial subjects than conducting these trials entirely by ourselves. We cannot assure these third parties can meet expected timetable or can always be in compliance with regulatory requirements. Any failures of these third parties to duly perform their obligations may result in our clinical trials being extended, delayed or terminated. In addition, if we are unable to maintain or enter into agreements with these third parties on acceptable terms, or if any such engagement is terminated, we may be unable to enroll patients on a timely basis or otherwise conduct our trials in the manner we anticipate.

*If we are not able to out-license product candidates we discover and develop internally, foster strategic collaborations to co-develop product candidates, or develop and commercialize those product candidates by ourselves, our business could be adversely affected.*

We have limited experience in clinical development. In consideration of our expertise and efficient allocation of resources, we expect to out-license product candidates when we believe doing so will help
maximize the commercial value of the product candidates. We also plan to foster strategic collaborations to
coop-devolve molecules and/or product candidates. In the long term, we may pursue internally discovered
product candidates by ourselves if we believe such product candidates have the potential to achieve a great
commercial value.

We may face significant competition in seeking out-licensing and collaboration opportunities for our
product candidates, as a number of more established companies may also possess drug assets for
out-licensing, collaborative development or internal development that are designed to address the same
targets as our product candidates do. These established companies may have a competitive advantage over
us due to their size, financial resources, and greater clinical development and commercialization expertise.
Whether we reach a definitive agreement for out-licensing or collaboration will depend, among other things,
upon our potential licensees or collaborator’s assessment of the relevant resources and expertise, the terms
and conditions of the licensing or collaboration agreement, and the potential licensees or collaborator’s
evaluation of a number of factors. The potential licensees or collaborators may also consider alternative
product candidates or technologies for similar indications that may be available for collaboration or
out-licensing and whether such an arrangement could be more attractive than the one with us for our
product candidate. Licenses and collaborations are complex and time-consuming to negotiate and document.
In addition, there have been a significant number of recent business combinations among large
biopharmaceutical companies that have resulted in a reduced number of potential future licensees and
collaborators.

If we are unable to reach agreements with suitable licensees or collaborators on a timely basis, on
acceptable terms or at all, we may have to curtail the development of a product candidate, reduce or delay
its development program or one or more of our other development programs, or increase our expenditures
and undertake development or commercialization activities at our own expense. If we elect to fund and
undertake development or commercialization activities on our own, we may need to obtain additional
expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to
enter into licensing agreements or collaboration agreements and do not have sufficient funds or expertise to
undertake the necessary development and commercialization activities, we may not be able to further
develop any product candidates or bring them to market, which would have a material adverse effect on our
business, financial condition, results of operations, and prospects.

Even if we complete the necessary preclinical studies and clinical trials, the regulatory approval process
is expensive, time-consuming and uncertain and may prevent us from obtaining approvals for the
commercialization of some or all of our product candidates. As a result, we cannot predict when or if,
and in which territories, we will obtain marketing approval to commercialize a product candidate.

Our product candidates and the activities associated with their development and commercialization,
including their design, research, testing, manufacture, safety, efficacy, quality control, recordkeeping,
labeling, packaging, storage, approval, advertising, promotion, sale, distribution, import, export, and
reporting of safety and other post-market information, are subject to comprehensive regulation by the FDA,
the NMPA, the EMA, the Medsafe, the TGA and other comparable regulatory authorities in other
jurisdictions. Failure to obtain marketing approval for a product candidate will prevent us from
commercializing the product candidate. We have not received approval to market any of our product
candidates from regulatory authorities in any jurisdiction. As an organization, we have no experience in
filing and supporting the applications necessary to gain marketing approvals and may rely on third-party
CROs to assist us in this process. Securing marketing approval requires the submission of extensive
preclinical and clinical data and supporting information to regulatory authorities for each therapeutic
indication to establish the product candidate’s safety and efficacy. Securing marketing approval also
requires the submission of information about the product manufacturing process to, and inspection of
manufacturing facilities by, the regulatory authorities. Our product candidates may not be effective, may be
only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other
characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. If
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any of our product candidates receives marketing approval, the accompanying label may limit its approved use, which could limit sales of the product.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive and may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. In particular, there may be intrinsic risks associated with novel targets such as unknown biology, unclear mechanism of actions, novel or less clear pathways, which could increase the uncertainties for drug development. Novel drug molecules discovered through AI technologies may not be easily identified via traditional high throughput screening. There may be risks associated with any first-in-class drugs, including unknown safety and clinical efficacy performance on human subjects until extensive testing and validation studies have been performed.

In addition, changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable. If we experience delays in obtaining approval or if we fail to obtain approval of our product candidates, the commercial prospects for our product candidates may be harmed and our ability to generate revenue will be impaired.

Even if we obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our products may limit how we manufacture and market our products and compliance with such requirements may involve substantial resources, which could materially impair our ability to generate revenue. Even if marketing approval of a product candidate is granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulatory requirements for manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, sampling, and recordkeeping, including the potential requirements to implement a REMS program or to conduct costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product. We must also comply with requirements concerning advertising and promotion for any of our product candidates for which we obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product’s approved labeling. Thus, we will not be able to promote any products we develop for indications or uses for which they are not approved. In addition, manufacturers of approved products and those manufacturers’ facilities are required to comply with extensive regulatory requirements of the FDA, the NMPA, the EMA, the Medsafe, the TGA and other regulatory authorities, including ensuring that quality control and manufacturing procedures conform to current GMP and other comparable regulations and standards, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We or our suppliers could be subject to periodic unannounced inspections by the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities to monitor and ensure compliance with current GMP.

Accordingly, assuming we receive marketing approval for one or more of our product candidates, we and our suppliers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control. If we are not able to comply with post-approval regulatory requirements, we could have the marketing approvals for our products withdrawn by regulatory authorities and our ability to market any future products could be limited, which could adversely affect our ability to achieve or sustain profitability. Thus, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.
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Our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which would have an adverse effect on our business.

Many of our product candidates are still in the preclinical development stage, and the risk of failure of preclinical programs is high. Before we can commence clinical trials for a product candidate, we must complete extensive preclinical testing and studies to obtain regulatory clearance to initiate human clinical trials, including based on IND applications in the United States, Investigational Medicinal Product (“IMP”) application in Australia and Clinical Trial Applications (“CTAs”) in China, New Zealand and the European Union. We cannot be certain of the timely completion or outcome of our preclinical testing and studies and cannot predict if the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities will accept our proposed clinical programs or if the outcome of our preclinical testing and studies will ultimately support the further development of our programs. As a result, we cannot be sure that we will be able to submit IND applications or similar applications for our preclinical programs on the timelines we expect, if at all, and we cannot be sure that submission of IND applications or similar applications will result in the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities allowing clinical trials to begin.

Results of earlier studies and trials may not be predictive of future trial results, and Interim and/or preliminary data derived from our preclinical studies and/or clinical trials that we announce or publish from time to time may change as more valid data becomes available and are subject to audit and verification procedures that could result in material changes in the final results.

The results of preclinical studies and early clinical trials may not be predictive of the success of later phase clinical trials, and favorable initial or interim results of a clinical trial do not necessarily predict successful final results. Our drug candidates in later stages of clinical trials may fail to show the desired safety, immunogenicity and efficacy traits despite having progressed through preclinical studies and initial clinical trials.

In some instances, there can be significant variability in safety, immunogenicity and/or efficacy results among different trials of the same drug candidate due to numerous factors, including, but not limited to, changes in trial procedures set forth in protocols, differences in the size and demographics of the patient populations, including genetic differences, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial volunteers. As drug candidates are developed through preclinical and clinical trials towards approval and commercialization, it is customary that various aspects of the development programs, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Differences in the number of clinical trial sites and countries involved may also lead to variability between earlier and later-phase clinical trials. Constantly updated standard therapies may change patient resistance, which may affect the efficacy of our medicines. Such changes carry the inherent risks that they may not necessarily achieve the intended objectives. In addition, our future clinical trial results may differ from earlier trials and may not be favorable. Even if our future clinical trial results show favorable efficacy, not all patients may benefit. Therefore, the results of planned clinical trials or other future clinical trials could be significantly different and other than as predicted, which could result in delays in the completion of clinical trials, regulatory approvals and commencement of commercialization of our drug candidates. If so, we would have expended a significant amount of capital to progress the relevant drug candidates to that stage, and would not realize any revenue on such drug candidate if it then ultimately failed to receive regulatory approval due to poor clinical trial results. Such an uncompensated expenditure could materially and adversely affect our business, financial condition results of operations and prospects.

From time to time, we may publish interim or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary data are subject to audit and verification procedures, which may result in the final data being materially different
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from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data could significantly harm our business prospects and may lead to significant fluctuations in the [REDACTED] of our Shares.

We allocate our limited resources to pursue particular product candidates and may fail to capitalize on products or identify opportunities that may later prove to be more profitable or for which there is a greater likelihood of success.

We have limited financial and managerial resources and we currently only focus on research programs and product candidates for specific targets. As a result, we may forgo or delay pursuit of opportunities with other product candidates that later may be proved to have greater commercial potential or a greater likelihood of success. On the other hand, if we do not prioritize the allocation of our resources and conduct research programs that cover a broad range of targets or engage research programs that are overly expansive, we may be subject to significant risk of loss as a large part of the research programs fail. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Accordingly, there can be no assurance that we will be able to identify additional therapeutic opportunities for our product candidates or to develop suitable potential product candidates, which could materially adversely affect our future growth and prospects.

Risks Related to Industry and Commercialization of Our Drug Candidates

Our commercial success depends on our end-to-end AI technology platform and technological capabilities. If we fail to continuously improve our technology and provide innovative solutions that achieve and maintain the market acceptance of our platform and technological capabilities, our business, financial condition and results of operations may be materially and adversely affected.

We utilize our end-to-end AI technology platform to perform critical aspects of drug development, including the development of our product pipeline. As a result, the quality, sophistication and efficiency of our platform and technology is critical to our ability to conduct our drug and target discovery activities, deliver more promising molecules, perform efficient and successful R&D studies, and ultimately to accelerate and lower the costs of drug discovery as compared to traditional methods. In particular, our business depends, among other things, on:

• our platform’s ability to successfully identify suitable or novel targets of interest or uncover potent drug candidates with desired drug-like properties, and on the desired timeframes, that can ultimately be used to form the basis of drug development and patent protection;
• our ability to execute on our collaboration strategy to enter into new collaboration arrangements and establish a robust internal drug discovery programs;
• our ability to increase awareness of the capabilities of our technology and solutions;
• whether our platform reliably provides advantages over legacy and other alternative technologies and is perceived by customers to be cost effective;
• the rate of adoption of our solutions by pharmaceutical companies, biotechnology companies of all sizes, research institutions and others;
• prices we charge for our drug discovery services, required payments and the payment schedule in connection with our drug discovery collaborations, and the potential licensing fees we charge for our internally identified drug candidates;
• the relative reliability and robustness of our platform;
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- our ability to develop new solutions for collaborators;
- our ability to maintain and develop customer relationship;
- our ability to follow closely with technological and industrial trends and continue to advance our integrated platform;
- if competitors develop a platform that performs AI-driven computational predictions at a greater accuracy and efficiency than us;
- the timing and scope of any approval that may be required by the FDA, the NMPA, the EMA, the Medsafe, the TGA or any other regulatory body;
- the impact of our investments in innovation and commercial growth;
- negative publicity regarding our or our competitors’ technologies and/or the information security resulting from defects or errors; and
- our ability to further validate our technology through research and accompanying publications.

There can be no assurance that we will successfully address any of these or other factors that may affect the market acceptance of our platform or our technology. If we are unsuccessful in achieving and maintaining market acceptance of our platform and technological capabilities, our business, financial condition, results of operations and prospects could be adversely affected.

Furthermore, AI technologies are constantly evolving. Any flaws or misuse of the AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.

*Our business and financial prospects depend substantially on our efforts to use our AI-driven integrated technology platform Pharma.AI to discover targets and discover and design molecules with therapeutic potential, while such efforts may not result in the discovery and development of commercially viable products for us, our customers or our collaborators.*

The success of our business depends in part upon our ability to identify, license, discover, develop, collaborate or commercialize product candidates. Research programs to identify new product candidates require substantial technical, financial, and human resources. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for a number of reasons, including:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential product candidates;
- our potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to obtain marketing approval; and
- potential product candidates may not be effective in treating their targeted diseases.

In addition, our scientific approach focuses on using our AI-driven platform technology and our drug discovery expertise to design molecules and predict their key drug-likeness properties to prioritize a small set of molecules with potentially optimal property profile for time-consuming and expensive chemical syntheses and physical experiments. Our integrated technology platform underpins our solutions, our drug
discovery collaborations and our own internal drug discovery pipeline. While the results of certain of our
drug discovery collaborators suggest that our platform is capable of accelerating drug discovery and
identifying high quality product candidates, these results do not assure future success for our drug discovery
collaborators or for us with our internal drug discovery programs.

Even if we, our customers, or our drug discovery collaborators are able to develop product candidates
that demonstrate potential in preclinical studies, we or they may not succeed in demonstrating safety and
efficacy of product candidates in clinical trials. Moreover, preclinical and clinical data are often susceptible
to varying interpretations and analysis, and many companies that believed their product candidates
performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain marketing
approval for their product candidates.

We have entered into collaborations with our partners and may form or seek additional collaborations or
strategic alliances or enter into additional licensing arrangements in the future. We may not realize any
or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our
collaboration partners, which could adversely affect our business operations and financial condition.

We have in the past formed, and may in the future seek and form, strategic alliances, joint ventures or
other collaborations, including entering into licensing arrangements with third parties that we believe will
complement or augment our research and development efforts with respect to our drug candidates and any
future drug candidates that we may develop, as well as the services we provide and may provide in the
future. Any of these relationships may require us to incur non-recurring and other charges, increase our near
and long-term expenditures, issue securities that dilute the shares held by our existing Shareholder or
disrupt our management and business.

Our strategic collaboration with partners involves numerous risks, which could adversely affect our
ability to recognize the benefits of the collaboration within an acceptable timeframe or at all. A
collaboration partner may choose to delay or terminate a partnership for a variety of reasons, which include,
but are not limited to, a lack of financial resources to continue to fund the collaboration, material
disagreement between us and the partner, a shift in our partners’ view of the clinical or commercial viability
of our drug candidates, personnel changes in research leadership and other management resulting in a loss
of internal advocacy, or other strategic realignment within the organization. Disputes may arise between us
and our current or future collaboration partners. Such disputes may cause delay or termination of the
research, development or commercialization of our drug candidates, or may result in costly litigation or
arbitration that diverts management attention and resources. We face significant competition in seeking
appropriate strategic partners and the negotiation process is time consuming and complex. Moreover, we
may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for
our drug candidates because they may be deemed to be at too early of a stage of development for
Collaborative effort, and third parties may not view our drug candidates as having the requisite potential to
demonstrate safety and efficacy or commercial viability. Further, any agreement that we do enter into may
not result in the anticipated benefits.

Global markets are an important component of our growth strategy. If we fail to obtain licenses or
enter into collaboration arrangements with third parties in other markets, or if a third-party partner is not
successful, our revenue-generating growth potential will be adversely affected. Moreover, international
business relationships subject us to additional risks that may materially adversely affect our ability to attain
or sustain profitable operations, including:

- efforts to enter into collaboration or licensing arrangements with third parties in connection with
  our international sales, marketing and distribution efforts may increase our expenses or divert our
  management’s attention from the acquisition or development of drug candidates;

- difficulty of effective enforcement of contractual provisions in local jurisdictions;
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• third-party partners may not properly obtain, maintain, protect or enforce our patents, trade secret and other intellectual property rights and regulatory exclusivity for our drug candidates or may use our intellectual property in such a way as to invite litigation or other intellectual property-related proceedings that could jeopardize or invalidate our intellectual property or expose us to potential litigation or other intellectual property-related proceedings;

• difficulty of ensuring that third-party partners do not infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property and proprietary rights of others;

• unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;

• economic weakness, including inflation;

• compliance with tax, employment, immigration and labor laws for employees traveling abroad;

• the effects of applicable foreign tax structures and potentially adverse tax consequences;

• currency fluctuations, which could result in increased operating expenses and reduced revenue;

• workforce uncertainty and labor unrest;

• failure of our employees and contracted third parties to comply with the FCPA; and

• business interruptions resulting from geopolitical actions, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to procure equipment and raw material and to attain or sustain any future revenue from international markets.

We may not be able to expand our current collaborations, enter into new collaborations, maintain or expand our relationships with our existing customers or develop new customers.

We expect to continue to derive a significant portion of revenues from our drug discovery services in the near future. As a result, maintaining and expanding our relationships with our existing customers and developing new customers is critical to our future operating results. Factors that may affect the customer retention rate and our ability to sell additional services to our existing and new customers include:

• the demand for drug discovery and development software and services;

• the financial performance, the budget for research and development activities and the overall business environment of our existing and future customers;

• the price, performance, and functionality of our drug discovery services;

• the availability, price, performance, and functionality of competing services;

• our ability to develop complementary solutions, applications, and services that are tailored to the customers’ needs;

• the stability, performance, and security of our technological infrastructure; and

• the overall business environment of the industry.
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We deliver our drug discovery services on a project basis. Our customers have no obligation to enter into new agreements for our services after the specified projects in the original agreements are completed. Some agreements may be terminated or reduced in scope either immediately or upon notice. In addition, our customers may negotiate terms less advantageous to us upon procuring new services from us, which may reduce our revenues from these customers. Factors that are not within our control may contribute to a reduction in our revenues from provision of drug discovery services. The loss, reduction in scope, or delay of a large contract, or the loss or delay of multiple contracts, could materially adversely affect our business.

Our future operating results also depend, in part, on our ability to enter into new service agreements or generate more purchase orders under existing agreements with our existing and new customers. For example, the willingness of existing customers and/or future customers to enter into new service agreements will depend on our ability to scale and adapt our existing drug discovery services to meet the performance and other requirements of our customers, which we may not be able to do successfully.

With respect to drug discovery collaborations, typical collaboration arrangements will provide us with multiple sources of revenue, including fee-for-service, upfront payments, and milestone payments. In addition, we may accumulate a variety of methodologies and in-depth practical expertise, which, as appropriate, will facilitate us to improve the functionalities of our technology platform to support our existing and future service offerings. As a result, in addition to reducing our revenue, the loss of one or more of these relationships or our inability to foster additional drug discovery collaborations or render more services may reduce our exposure to such information, thus hindering our efforts to further our technological differentiation and improve our platform.

We engage in conversations with companies and academic institutions regarding potential drug discovery collaborations on an ongoing basis. These conversations may not result in a commercial agreement. Even if an agreement is reached, the resulting relationship may not be successful, including due to our inability to identify suitable or novel targets of interest or uncover potent drug candidates with desired drug-like properties within the given time frame or our collaborators’ inability to advance the research, regulatory fairs or commercialization of such drug product candidates. In such circumstances, we may not be able to generate any substantial revenues from such collaboration.

If our current research collaborators, scientific advisors or employees terminate their relationships with us or develop relationships with a competitor, our ability to conduct research and development could be adversely affected.

In advancing our integrated technology platform and improving our capabilities in drug discovery activities, we work with a number of key research collaborators and/or scientific advisors. There can be no assurance that there will not be a detrimental impact on us if one or more of these key research collaborators and/or scientific advisors were to cease relationship with us, potentially as a result of lateral recruitment by existing or new competitors. As a result, this may adversely affect our ability to advance our integrated technology platform and further develop our drug discovery services.

Furthermore, our ability to continue to conduct and expand operations depends on our ability to attract and retain a large and growing number of personnel. The ability to meet our expertise needs, including the ability to find qualified personnel to fill positions that become vacant at our research and development department or to collaborate with us in research and development efforts, while controlling our costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in AI-driven drug research and development service market, the unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, to attract or to retain qualified personnel, the quality of services provided to customers may decrease and our financial performance may be adversely affected. In addition, if costs of labor or related costs to maintain relationships with research collaborators increase for other reasons or if new or revised labor laws, rules or
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regulations or healthcare laws are adopted or implemented that further increase labor costs, our business, financial condition and results of operations could be materially adversely affected.

We face intense competition in our businesses, which may result in our competitors developing superior products or services, or bringing their products or services to market faster or more successfully than we do. If we fail to compete successfully against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.

The global market for AI-driven drug discovery services is rapidly evolving and subject to intense competition as a result of changing technology innovation and shifting customer needs. We face potential competition from many different sources, while the solutions and applications offered by our competitors vary in size, breadth and scope, including both AI-driven and traditional drug discovery service providers.

Our drug discovery business faces competition from many sources, including major pharmaceutical, specialty biopharmaceutical companies, technology companies, academic institutions and government agencies, and public and private research institutions. In particular, we compete with businesses conducting AI-enabled early-stage drug discovery development. In some cases, these competitors possess well-established capabilities in drug research and development and have long-standing relationships with many of our current and potential collaborators and customers, including large biopharmaceutical companies and academic institutions. We also face competition from AI-driven drug research and development solutions that biopharmaceutical companies develop internally, smaller companies that offer drug discovery products and services directed at more specific markets than we target, enabling these competitors to focus a greater proportion of their efforts and resources on these markets, as well as a large number of companies that have been founded with the goal of applying AI and computational chemistry technologies to drug discovery. Any product candidates that we or one of our collaborators successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

Many of our competitors are able to devote greater resources to the development, promotion, and sale of their solutions and services. In addition, third parties with greater available resources and the ability to initiate or withstand substantial price competition could acquire our current or potential competitors. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product and/or service offerings or resources. If our competitors’ products, services, or technologies become more accepted than our solutions, if our competitors are successful in bringing their products or services to market earlier than ours, if our competitors are able to respond more quickly and effectively to new or changing opportunities, technologies, or customer requirements, or if their products or services are more technologically capable than ours, then our revenues and future business prospects could be adversely affected.

We may be required to modify our pricing practices in order to attract new customers or retain existing customers due to increased competition. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demand and market changes in the pharmaceutical industry.

Our business is subject to rapid scientific and technological changes. Failure to keep up with such changes could have a material adverse effect on our business, prospects, results of operations and financial condition. We are subject to the risks of companies operating in the pharmaceutical industry. The market in which we compete is characterized by evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. As a result, an [REDACTED] in our Shares is highly speculative and is only suitable for [REDACTED] who recognize the high risks involved and can afford loss of [REDACTED].
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To remain competitive, we must continue to enhance and improve the functionality and features of the technology that forms part of its service. The pharmaceutical industry is rapidly changing, and if competitors introduce new services using new technologies or if new industry standards and practices emerge, our existing services may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our services could harm our business, prospects, financial condition and results of operations. While Insilico Medicine is usually the inventor of technologies in generative AI and quantum generative AI and publishes proof-of-concept studies openly in peer-reviewed journals, there is a risk that these technologies, often considered to be critical technologies, may result in unwanted scrutiny by the regulators without intimate knowledge of the industry.

If we and our current and future collaborators are unable to successfully develop and commercialize drug products, we may not achieve or maintain profitability.

We currently generate a significant portion of revenues from drug discovery services and contractual arrangements and expect to continue to derive a large percentage of our revenue from such business in the near future. To achieve and maintain profitability, we must succeed in significantly increasing sales of our drug discovery services, or we and our current or future collaborators must succeed in developing, and eventually commercializing, drug products that generate significant revenue.

Increasing sales of our drug discovery services to existing customers and successfully marketing such services to new customers are critical to our success. Demand for our drug discovery services may be affected by a number of factors, including but not limited to continued market acceptance of AI-driven drug discovery and development, timing of development and release of new offerings by our competitors, technological change, and the rate of growth in our target markets. If we are unable to continue to meet the demands of our customers, our business operations, financial results, and growth prospects will be adversely affected.

In addition, achieving success in drug development will require us to further enhance our end-to-end drug discovery solutions to our existing and new customers and to foster additional drug discovery services and collaboration arrangements, or require us or our current or future collaborators to be effective in a range of challenging activities, including identifying hit molecules, completing hit-to-lead and lead molecule optimization, preclinical testing and clinical trials of product candidates, obtaining regulatory approvals for these product candidates and manufacturing, marketing, and selling any products for which we or they may obtain regulatory approvals. We and most of our collaborators are only in the preliminary stages of most of these activities with regard to the drug candidates that are part of our collaborations or for our internal development efforts. We and they may never succeed in these activities and, even if we do, we may never generate revenues that are significant enough to achieve profitability, or even if our collaborators do, we may not receive upfront and milestone payments from them that are significant enough for us to achieve profitability. Because of the intense competition in the market for our drug discovery services and the numerous risks and uncertainties associated with biopharmaceutical product development, we are unable to accurately predict when, or if, we will be able to achieve or sustain profitability.

Even if we achieve profitability, we may not be able to sustain or increase profitability on an annual basis.

Our failure to become and remain profitable would depress the value of our Company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, increase sales of our drug discovery services, develop a pipeline of product candidates for out-licensing or internal development, enter into collaborations, or even continue our operations. A decline in the value of our Company could also cause you to lose all or part of your [REDACTED].

Although we have experienced revenue growth in recent periods, we may not be able to sustain revenue growth consistent with our recent history or at all. Our total revenues increased from US$4.7
RISK FACTORS

million in 2021 to US$30.1 million in 2022. You should not consider our revenue growth during the Track Record Period as indicative of our future performance, especially as our revenues during the Track Record Period have been very limited. As we grow our business, our total revenues growth rates may slow in future periods.

We use third-party providers of cloud-based infrastructure to enable our AI-driven drug discovery solutions. Any disruption in the operations of these third-party providers, limitations on capacity, or interference with our use could adversely affect our business, financial condition, and results of operations.

We outsource the infrastructure relating to our cloud supercomputing to multiple third-party service providers. Therefore, our cloud supercomputing infrastructure, which enables our high-performance computational chemistry algorithms and AI models, depends on third-party service providers to maintain the security, configuration, architecture, features and interconnection specifications of the virtual cloud infrastructure, which is transmitted by third-party internet service providers. Any limitation on the capacity of our third-party service providers could impede our ability to deliver services or study results in a timely manner, onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations.

In the event that our service agreements with our third-party services providers are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our software solutions for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition, and results of operations.

We have no experience in launching and marketing product candidates. If we are unable to maintain sufficient marketing and sales capabilities, we may not be able to generate product sales revenue as planned.

We have no track record in commercialization, and if we are unable to build sufficient sales and marketing capabilities, we may be unsuccessful to raise awareness and sell our product candidates successfully. We have not yet demonstrated an ability to launch and commercialize any of our product candidates. As a result, our ability to successfully commercialize our product candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing product candidates.

The actual market size of our product candidates might be smaller than expected, and our future approved product candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

Our future approved product candidates may fail to gain sufficient market acceptance by physicians, patients, third-party payers and others in the medical community. In addition, physicians, patients and third-party payers may prefer other novel products to ours. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, and patients considering our product candidates as a safe and effective treatment;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;
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• product labeling or package insert requirements of regulatory authorities;
• limitations or warnings contained in the labeling approved by regulatory authorities;
• the timing of market introduction of our product candidates as well as competitive drugs;
• the cost of treatment in relation to alternative treatments;
• the availability of adequate coverage, reimbursement and pricing by third-party payers and government authorities;
• the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities; and
• the effectiveness of our sales and marketing efforts.

If any approved product candidates that we commercialize fail to achieve market acceptance in the medical community, we will not be able to generate significant revenue. Even if our future approved product candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our product candidates, are more cost-effective or render our product candidates obsolete.

Our product candidates when commercialized may become subject to unfavorable pricing regulations, or to unfavorable changes in national or third-party reimbursement practices, which could negatively affect our business.

There has been heightened governmental scrutiny in the United States, China and other major jurisdictions of biopharmaceutical pricing practices in light of the rising cost of biopharmaceutical products. For example, in the United States, the scrutiny of biopharmaceutical pricing practices has resulted in several Congressional inquiries and proposed and enacted federal legislation designed to, among other things, bring more transparency to pricing of biopharmaceutical products, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. If the United States or other relevant governments issue pricing guidance for our commercialized products, such guidance may negatively affect the price at which we can sell our products and therefore may have a material adverse effect on our business and results of operations.

Our ability to commercialize any approved product candidates successfully will also depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. A primary trend in the global healthcare industry is cost containment. Government authorities and third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

Increasingly, third-party payers are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any approved product candidate that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any approved product candidate that we commercialize. Obtaining or maintaining reimbursement for approved product candidates may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved product candidates, and coverage may be more limited than the purposes for which the product candidates are approved by the
regulatory authorities. Moreover, eligibility for reimbursement does not imply that any biopharmaceutical product will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the product and the clinical setting in which it is used, may be based on payments allowed for lower-cost products that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payers. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payers for any future commercialized products and any new products that we develop could have a material adverse effect on our business, operating results, and overall financial condition.

Furthermore, the market opportunities for our product candidates may be uncertain, which could render some products ultimately unprofitable even if commercialized, and we may not be able to fully capture the target populations of our products.

*Other downward pressure in the pricing of our products when commercialized may have a material adverse effect on our business and results of operations.*

In addition to governmental price control measures, we may experience downward pressure in pricing of our product candidates from other sources, some of which may be beyond our control. For example, competing products, once approved for marketing, may allow our future customers to gain more bargaining power to lower the retail prices of our product candidates in light of the availability of alternative products. Similarly, if other products that target the same indications as our product candidates gain market acceptance, there will be more available choices for hospitals and patients to choose from, therefore would decrease our bargaining power to set price for our product candidates. Furthermore, with the development of technologies and increasing competition in the industry, we may need to lower the price for our product candidates in light of the potential launch and commercialization of competing products that tackle similar indications with improved efficacy and safety profile. If we experience such downward pressure in the pricing of our product candidates, our revenues from sales of product candidates will decrease, which may have a material adverse effect on our business and results of operations.

*Our commercial success depends significantly on our ability to operate without infringing upon, misappropriating or otherwise violating the intellectual property rights of third parties.*

The AI-driven drug research and development market is subject to rapid technological change and substantial litigation regarding patent and other intellectual property rights. Our potential competitors may have substantially greater resources and are likely to make substantial investments in patent portfolios and competing technologies, and may apply for or obtain patents that could prevent, limit or otherwise interfere with our ability to make, use and sell our products or technologies. Numerous third-party patents exist in fields relating to our products, algorithms or technologies, and it is difficult for industry participants, including us, to identify all third-party patent rights relevant to our technologies. Moreover, because some patent applications are maintained as confidential for a certain period of time, we cannot be certain that third parties have not filed patent applications that cover our products and technologies.

Patents could be issued to third parties and we may ultimately be found to infringe such patents. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from using our technologies. Our failure to obtain or maintain a license to any third-party intellectual property rights that we require may materially harm our business, financial condition and results of operations. Furthermore, we would be exposed to risks of litigation.

Third-party intellectual property right holders may also actively bring infringement or other intellectual property-related claims against us, even if we have received patent protection for our technologies,
products, and services. Regardless of the merit of third parties claims against us for infringement, misappropriation or violations of their intellectual property rights, such third parties may seek and obtain injunctive or other equitable relief, which could effectively block our ability to continue to offer our drug discovery services and perform future clinical trials. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay our development or regulatory approval process or other activities that are the subject of such suit. Defense of these claims, even if such claims are resolved in our favor, could cause us to incur substantial expenses and be a substantial diversion of our employee resources even if we are ultimately successful. Any adverse ruling or perception of an adverse ruling in defending ourselves could have a material adverse impact on our cash position and stock price. Such litigation or proceedings could substantially increase our operating costs and reduce the resources available for development activities or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a material adverse effect on the price of our Shares. If securities analysts or [REDACTED] perceive these results to be negative, it could have a material adverse effect on the [REDACTED] of our Shares. The occurrence of any of these events may have a material adverse effect on our business, results of operation, financial condition or cash flows.

We may be subject to disasters, health epidemics, acts of war, terrorism, business disruptions and other force majeure events, which may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, acts of war, terrorism or other force majeure events beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations, and those of our third-party research institution collaborators, suppliers and other contractors and consultants, may be under the threat of natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, COVID-19, force majeure events such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or potential wars or terrorist attacks.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the world could materially disrupt our business and operations. For example, since the end of December 2019, the outbreaks of a novel strain of coronavirus COVID-19 have materially and adversely affected the global economy. Many countries and regions had been affected by the COVID-19 outbreaks and, in response, had imposed certain lockdown measures, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. The outbreak of COVID-19 has caused temporary suspension of production and shortage of labor and raw materials in affected regions, and disrupted local and international travel and economy.

There also could occur serious natural disasters, which may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Damage or extended periods of interruption to our corporate, development, research or manufacturing facilities due to fire, disaster, epidemics, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development or commercialization of some or all of our drug candidates. As we rely on third parties on various services and supplies, the occurrence of any of the foregoing events could seriously harm ability to obtain services or supplies if such third parties are affected by disasters, epidemics, business interruptions and other force majeure events. In addition, our insurance might not cover all losses under such circumstances and our
business may be seriously harmed by such delays and interruption. Acts of war or terrorism may also injure our employees, disrupt our business network and destroy our markets. Any of the foregoing events and other events beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Risks Related to Extensive Government Regulations

The research, development and commercialization of our pharmaceutical products are heavily regulated.

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets, including the United States, Greater China and Europe. These jurisdictions strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden for a company like us that plans to operate in these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include: refusal to approve pending applications; withdrawal of an approval; license or approval revocation; clinical hold; voluntary or mandatory product recalls; product seizures; total or partial suspension of production or distribution; injunctions; fines; refusals of government contracts; providing restitution; undergoing disgorgement; or other civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business.

For example, certain of our research and development operations are located in China, which we believe conferring clinical, commercial and regulatory advantages. The biopharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the research, clinical trial, approval, registration, manufacturing, packaging, licensing and marketing of new product candidates. See “Regulation” for a discussion of the regulatory requirements that are applicable to our current and planned business activities in China. In recent years, the regulatory framework in China regarding the biopharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the current benefits we believe are available to us from developing drugs in China.

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

The time required to obtain approval by the FDA, the NMPA, the EMA, the Medsafe, the TGA and other comparable regulatory authorities is unpredictable, particularly with respect to novel products, and depends on numerous factors, including the substantial discretion of the regulatory authorities.

Our product candidates could fail to receive regulatory approval for many reasons, including:

• failure to enter into or complete clinical trials due to disagreements with regulatory authorities;
• failure to demonstrate that a product candidate is safe, pure and potent for its proposed indication;
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• failure of clinical trial results to meet the level of statistical significance required for approval;

• failure to demonstrate that the clinical and other benefits of a product candidate outweigh its safety risks;

• data integrity issues related to our clinical trials;

• insufficiency of data generated from clinical trials of our product candidates to support the filing of the NDA or other submission or to obtain regulatory approval;

• the regulatory authorities’ disagreement with our interpretation of data from preclinical studies or clinical trials;

• our inability to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols;

• clinical trial sites, investigators or other volunteers in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial; and

• deficiencies identified by the regulatory authorities in relation to chemistry, manufacturing or control ("CMC").

The FDA, the NMPA, the EMA, the Medsafe, the TGA or a comparable regulatory authority may require more information, including additional preclinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or cause us to decide to abandon the development program.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical trial. In addition, changes in government regulations or in practices relating to the pharmaceutical or biopharmaceutical industry, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures, which would lower the entry barrier for potential competitors, or an increase in regulatory requirements, which may increase the difficulty for us to satisfy such requirements, and may have a material adverse impact on our business, financial condition, results of operations, and prospects.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed, and our ability to generate product sales revenues from that product candidate will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Moreover, we have limited experience in filing for regulatory approval for our product candidates, and we have not yet demonstrated the ability to receive marketing approval for our product candidates. As a result, our ability to successfully obtain marketing approval for our product candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with substantial experience in obtaining regulatory approvals.
Changes in government regulations or in practices relating to the biopharmaceutical industry may adversely affect our business.

The biopharmaceutical industry in the United States, Greater China, Europe and other markets where we intend to enter is heavily regulated. Changes in government regulations or in practices relating to the biopharmaceutical industry, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures which lower entry barriers for potential competitors, or an increase in regulatory requirements that may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects.

In addition, recently enacted and future legislation in relevant jurisdictions may increase the difficulty and cost for us to obtain regulatory approval and commercialize our product candidates and affect the prices we may set. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies that will affect the biopharmaceutical industry, including measures which may result in more rigorous coverage criteria and downward pressure on the price that we set for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

In particular, there may be intrinsic risks associated with novel targets such as unknown biology, unclear mechanism of actions, novel or less clear pathways, which could increase the uncertainties for our drug development. Novel drug molecules discovered through AI technologies may not be easily identified via traditional high throughput screening. Considering the novelty of targets and the scarcity of historical researches conducted, there are risks associated with our first-in-class drugs, which includes unknown safety and clinical efficacy performance on human subjects until extensive testing and validation studies have been performed.

Even if we receive regulatory approvals for our product candidates, our products will continue to remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expenses, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our future approved products.

Any of our future approved product candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, recordkeeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including requirements of regulatory authorities in the United States, Greater China, Europe and other countries and regions.

Our manufacturing facilities are required to comply with extensive requirements promulgated by the FDA, the NMPA, the EMA, the Medsafe, the TGA and comparable regulatory authorities in other relevant jurisdictions to ensure that quality control and manufacturing procedures conform to GMP and other comparable regulations and standards, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. As such, we will be subject to continual review and inspections to assess compliance with GMP and other comparable regulations and standards. Accordingly, we must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

We must also comply with requirements concerning advertising and promotion for any of our product candidates for which we obtain marketing approval. The FDA, the NMPA, the EMA, the Medsafe, the TGA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. We must limit our promotional communications with respect to our
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approved products only with regard to their approved indications and for use in accordance with the provisions of the approved label. Such limitations may potentially pose an adverse impact on our product’s commercial potential. In addition, any approvals that we receive for our product candidates may contain requirements for potentially costly post-marketing studies and surveillance to monitor the safety and efficacy of the approved product candidate. We will need to incur additional costs and devote substantial resources to comply with such requirements to, for example, produce and submit safety and other post-marketing information and reports, registration, as well as ensure continued compliance with GMP, GCP, for any clinical trials that we conduct post-approval, as well as other applicable comparable regulations and standards. Such additional costs may have an adverse impact on our results of operations and financial condition.

Any failure to comply with applicable laws and regulations or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

A number of governmental agencies or industry regulatory bodies in the United States, the United Arab Emirates, Greater China and other jurisdictions where we operate impose strict laws, regulations and rules governing biopharmaceutical research and development activities, which may apply to us. We may be required to maintain licenses, registrations, permits, authorizations, approvals, certifications, accreditations and other types of national and local governmental permissions in the United States, the United Arab Emirates, Greater China and other jurisdictions and to comply with various regulations in every jurisdiction in which we operate, including with respect to our research and development activities. The failure to comply with such licensure requirements could result in enforcement actions, including the revocation or suspension of the licenses, registrations or accreditations, or subject us to plans of correction, monitoring, civil money penalties, civil injunctive action and/or criminal penalties. The failure of us, our collaborators and/or other business partners, including our CROs, to comply with such regulations could result in the termination of ongoing research, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. This could harm our business, reputation, prospects for future work and results of operations.

In addition, there can be no assurance that we will be able to maintain our existing licenses, approvals, registrations or permits necessary to provide our current services in the relevant jurisdictions, renew any of them when their current term expires, or update existing licenses or obtain additional licenses, approvals, permits, registrations or filings necessary for our business expansion from time to time. If we fail to do so, our business, financial conditions and operational results may be materially and adversely affected.

Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new regulations come into effect requiring us and/or other such related parties to make any additional filings or obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we and/or parties related to our operation will successfully make such filings or obtain such approvals, permits, licenses or certificates in a timely manner or at all. Our or these parties’ failure to make the additional filings or obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We may be directly or indirectly subject to applicable anti-kickback, anti-bribery, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations, which could, in the event of non-compliance, expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approvals. Our operations are subject to various applicable anti-kickback, an-bribery, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in the jurisdictions in which we operate.
or intent to operate. These laws may impact, among other things, our proposed sales and marketing programs. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with governments.

There is no definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and have a significant impact on our businesses and results of operations.

Finally, we are subject to the Foreign Corrupt Practices Act ("FCPA"). The FCPA generally prohibits us from making improper payments to non-United States officials for the purpose of obtaining or retaining business. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks relating to our management of the medical data.

We routinely receive, collect, generate, store, process, transmit and maintain medical data treatment records and other personal details of the patients enrolled in our clinical trials, along with other personal or sensitive information. As such, we are subject to the relevant local, state, national and international data protection and privacy laws, directives regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations. These data protection and privacy law regimes continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. Failure to comply with any of these laws and regulations could result in enforcement action against us, including fines, imprisonment of company officers and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled patients and prohibit unauthorized disclosure of personal information. If such institutions or personnel divulge the patients’ private or medical records without their consent, they will be held liable for damage caused thereby. The personal information of patients or subjects for our clinical trials is highly sensitive and we are subject to strict requirements under
the applicable privacy protection regulations in the relevant jurisdictions. Whilst we have adopted security policies and measures to protect our proprietary data and patients’ privacy, privacy leakage incidents might not be avoided due to hacking activities, human error, employee misconduct or negligence or system breakdown.

As data protection and privacy issues draw more and more attention from the society, we may also become subject to new laws and regulations, or newly adopted interpretation and application of existing privacy and data protection laws or regulations, which are often uncertain and in flux and could further restrict collection and usage of data, or otherwise inconsistent with our practice. Any additional enactment or promulgation of this type may, among other things, require us to implement new security measures or bring within the legislation or promulgation other personal data not currently regulated. Compliance with any additional laws could be expensive, may place restrictions on our data collection and processing practice.

In addition, our clinical trials frequently also involve professionals from third-party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always comply with our data privacy measures. We also cooperate with third parties including principal investigators, hospitals, CROs, and other third-party contractors and consultants for our clinical trials and operations. Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as our fault, negligence or a result of our failure.

Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Complying with all applicable laws, regulations, standards and obligations relating to privacy and data security may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, penalties, judgments and negative publicity. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to registration, review and other requirements of the regulatory authorities for cross-border sales or licensing of technology as well as operations related to genetics and data safety.

As an AI drug discovery company, we must comply with various laws, regulations and guidelines relating to the cross-border sale and licensing of technology, genetics and data security. These regulations have the potential to increase our costs and adversely affect our operations and financial performance. In particular, the laws and regulations governing the cross-border sale and licensing of technology may require us to obtain licenses, approvals or permits from regulatory authorities, which could restrict or delay the transfer of technology across borders. Similarly, the laws and regulations governing the research, development and commercialization of genetics-related products and services may require us to obtain approvals or permits from regulatory authorities, which could have a significant impact on our operations. In addition, failure to comply with data security laws and regulations could result in significant fines and penalties.

If we or our third-party research collaborators or other contractors or consultants fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We and third parties, such as our collaborators, CROs, CDMOs and other partners, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory
procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. The cost of compliance with environmental protection, health and safety regulations is substantial. Our business activities involve the controlled use of hazardous materials. Our research and development activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds, which requires us to file with the government authority for occupational disease hazards. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, research and development efforts and business operations. We cannot guarantee that the safety procedures utilized by our partners and by third-party manufacturers and suppliers with whom we may contract will comply with the standards prescribed by laws and regulations or will eliminate the risk of accidental contamination or injury from these materials. In such an event, we could be held liable for any resulting damages, and such liability could exceed our resources. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations which are complex, change frequently and have tended to become more stringent. Failure to duly comply with the environmental, health and safety laws and regulations may subject us to fines, warnings or rectification orders imposed by the competent authorities. We do not currently carry biological or hazardous waste insurance coverage. In the event of an accident or environmental discharge, we may be held liable for any consequential damage and any resulting claims for damages, which may exceed our financial resources and may materially adversely affect our business, financial condition, results of operations and future growth prospects, and the value of our Shares.

**The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC laws.**

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which has become effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to [REDACTED] and [REDACTED] securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas [REDACTED] and [REDACTED] of an PRC domestic company is explicitly prohibited, if any of the following: (i) such securities [REDACTED] and [REDACTED] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) such securities [REDACTED] and [REDACTED] may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company is currently under investigations for suspicion of criminal offenses or material violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that if an issuer meets both the following criteria, the overseas securities [REDACTED] and [REDACTED] conducted by such issuer will be deemed as indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies: (i) the operating revenue, total profits, total assets or net assets of domestic enterprises in the latest financial year account for more than 50% of the respective data in such issuer’s audited consolidated financial statements for the same period, and (ii) the main parts of such issuer’s business activities are conducted in China, or its main place(s) of business are located in China, or the majority of the senior management in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in China (the “Overseas Listing Filing Criteria”). The identification of indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies shall follow the “substance over form” principle. Furthermore, in accordance with the No.1 application guidance of the Overseas Listing Trial Measures, if an issuer does not meet the Overseas Listing Filing Criteria, but submit
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a [REDACTED] in an overseas market and the disclosed risk factor in accordance with the rules of such overseas market is mainly relevant to China, the relevant parties shall conduct comprehensive demonstration and identification on whether such issuer shall subject to the filing obligation under the Overseas Listing Trial Measures.

Based on our financial statements for 2022, our global business presence and the fact that the core part of our business operations is located and carried out outside China, and that a majority of our senior management are not PRC citizens and usually reside outside China, we do not meet the Overseas Listing Filing Criteria. We believe this [REDACTED] will not be deemed as an indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies based on the “substance over form” principle. As the Overseas Listing Trial Measures was recently promulgated, there remains substantial uncertainties as to its interpretation and the detailed guidance to demonstrate the “substance over form” principle. If the CSRC deems our [REDACTED] as an indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies, we shall fulfill the filing requirement with the CSRC accordingly.

We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance. If we face allegations of non-compliance with laws and encounter sanctions, our reputation, business, operating result and financial condition may suffer, and our drug candidates and future drugs could be subject to restrictions or withdrawal from the market.

We are subject to rules and regulations by various governing bodies and the various regulatory authorities in the United States, Canada, Greater China, the United Arab Emirates, Hong Kong, Taiwan and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations, including those relating to health care fraud and abuse, have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Any government investigation of alleged violations of laws or regulations could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to obtain approvals to commercialize and generate revenues from our drugs. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our Company and our operating results will be adversely affected. Additionally, if we are unable to generate revenues from our product sales, our potential for achieving profitability will be diminished and the capital necessary to fund our operations will be increased.

International market conditions and the international regulatory environment may affect our business operations. Changes in international trade policies and rising political tensions may adversely impact our business, financial condition and results of operations.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate. Since mid-2018, tension has increased between the United States and China and has escalated into a tariff war and deteriorating diplomatic relationships. Moreover, the bilateral relationship is an ongoing matter, evolving sometimes from day to day, and we cannot predict how the relationship will further evolve or what impact any subsequent developments in the relationship may have on our business.
There is currently significant uncertainty about the future relationship between the United States and China and with respect to trade policies, treaties, government regulations and tariffs. If we plan to continue to expand our business internationally in the future, any unfavorable government policies on international trade, such as capital controls, export controls, embargoes or tariffs, may affect the demand for our products and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, trade restrictions, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

While we have not started commercialization of any of our drug candidates, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our future drug products, the competitive position of our future drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or may prevent us from selling our future drug products in certain countries. If any new tariffs, legislation and regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the United States government takes retaliatory trade actions due to the recent United States-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

The existing trade disputes may escalate going forward and may result in certain types of goods, such as advanced research and development equipment and materials, becoming significantly more expensive to procure from overseas suppliers or even becoming illegal to export. Furthermore, there can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between the United States and the relevant foreign countries or regions. Trade disputes, tensions and political concerns between the United States and the relevant foreign countries or regions may therefore adversely affect our business, financial condition, results of operations, cash flows and prospects.

*Increases in labor costs and enforcement of stricter labor laws and regulations may adversely affect our business and profitability.*

The global economy has experienced general increases in inflation and labor costs in recent years. As a result, average wages worldwide are expected to continue to increase. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increasing labor costs, our financial condition, and results of operations may be adversely affected. In addition, we are required by applicable laws and regulations to pay various statutory employee benefits, including mandatory provident fund to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to fines and other penalties. If the relevant authorities determine that we shall make supplemental social insurance and housing provident fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing provident fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

*We may fail to renew our leases upon expiration, in which case we may have to relocate our offices or lab.*

We lease properties for our offices and laboratories in New York, Hong Kong, Taipei, Montreal, Abu Dhabi, Shanghai and Suzhou. We may not be able to extend or renew such leases on acceptance terms, or if at all. Rental payments may significantly increase as a result of high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices and laboratories. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects.
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Any failure of our direct or indirect PRC resident Shareholders to comply with PRC regulations relating to offshore investment activities may restrict the foreign exchange activities of our PRC subsidiaries.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a “special purpose vehicle.” If a shareholder who is a PRC resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

There remains uncertainty as to the interpretation and implementation of the SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the SAFE Circular 37 will comply with the relevant SAFE rules and regulations, however, due to the uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. As of the Latest Practicable Date, some individual Shareholders of our Company together holding less than 0.4% equity interests of our Company who are PRC citizens have not completed the SAFE registration under the SAFE Circular 37 and SAFE Notice 13. Although such failure to complete SAFE registration will not subject us to administrative penalty, failure by any such shareholders to comply with SAFE Circular 37 may result in restrictions on the foreign exchange activities of our PRC subsidiaries.

The U.S. Internal Revenue Service may not agree that we should be treated as a non-U.S. corporation for U.S. federal income tax purposes, and PRC tax authorities may assert that we are a PRC resident enterprise for PRC tax purposes, which could result in unfavorable tax consequences to the Company and our Shareholders.

Generally, a corporation is considered to be a U.S. person for U.S. federal income tax purposes if it is created or organized in the United States or under the law of the United States or of any State. Accordingly, under generally applicable U.S. federal income tax rules, the Company, which is incorporated in the Cayman Islands, would generally be classified as a non-U.S. corporation for U.S. federal income tax purposes. However, Section 7874 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury regulations promulgated thereunder contain specific rules that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes, including in certain circumstances where a non-U.S. corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation.

As described in “History, Reorganization and Corporate Structure—Reorganization,” prior to the Reorganization the Group’s holding company was Insilico Inc, a U.S. corporation. As part of the Reorganization InSilico Medicine Inc. transferred its assets to Insilico Subco, which had elected to be treated as a partnership for U.S. federal income tax purposes, in consideration for a preferred interest in the partnership. In connection with the Reorganization, InSilico Medicine Inc. received advice that the Company should not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code as a result of the Reorganization. However, the [REDACTED] of Section 7874 of the Code is complex and subject to rules the [REDACTED] of which is uncertain in various respects. There is a risk that the
U.S. Internal Revenue Service (the “IRS”), will seek to challenge the status of the Company as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code and there can be no assurance that any such challenge will not be sustained by a court.

If the IRS were to successfully challenge the Company’s status as a non-U.S. corporation for U.S. federal income tax purposes, the Company would be subject to significant adverse tax consequences, including being subject to U.S. federal income tax on its worldwide income and on certain income of its non-U.S. subsidiaries, in the same manner as U.S. corporations. U.S. withholding tax at a rate of 30% would also apply to dividends paid to non-U.S. Shareholders, subject to reduction under an applicable income tax treaty. In addition, regardless of the [REDACTED] of Section 7874 of the Code, if the IRS were to assert that additional tax was payable by InSilico Medicine Inc. in connection with the Reorganization, the Company may be liable to pay the tax. [REDACTED] should consult their tax advisors regarding the [REDACTED] of Section 7874 of the Code to the Restructuring and the tax consequences to the Group and our Shareholders if the classification of the Company as a non-U.S. corporation is not respected.

Separately, under the PRC Enterprise Income Tax Law (the “EIT Law”) and its implementation rules, an enterprise established outside of the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise.

In addition, the State Administration of Taxation (the “SAT”), issued the SAT Circular 82 in April 2009 specifying that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: (a) senior management personnel and departments that are responsible for daily production, operation and management; (b) financial and personnel decision-making bodies; (c) key properties, accounting books, company seal, minutes of board meetings and shareholders’ meetings; and (d) half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the SAT issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. Our Company is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. As such, we do not believe that our Company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes. For similar reasons, we believe our other entities outside China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

Risks Related to Our Operations and Financial Prospects

We may face difficulties in managing the growth of our business and our expansion plans and operations or implement our business strategies on schedule.

Our business has become increasingly complex in terms of both the type and scale of our operations. Any expansion may increase the complexity of our operations and place a significant strain on our managerial, technological, operational, financial and human resources. As our development and commercialization plans and strategies develop, and as we transition into operating as a public company, we expect to expand our employee base for managerial, operational, financial and other resources. As our product candidates enter and advance through preclinical studies and clinical trials, we will need to expand our development, regulatory and manufacturing capabilities or contract with other organizations to provide these capabilities for us. In the future, we expect to enter into additional relationships with collaborators or
partners, suppliers and other organizations and establish a sales and marketing team in preparation for commercialization activities.

We are also continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business, including growing the scale, comprehensiveness and depth of our pharmaceutical circulation business, and investing in research and development in building digitalized infrastructure. The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be costlier to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we may pursue strategic partnerships, investments and acquisitions to explore synergetic effects, and we may face similar risks and uncertainties as listed above. Failure to properly address these risks and uncertainties may materially and adversely affect our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly acquired or newly formed businesses, and realize all or any of the anticipated benefits of such expansion, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

Our international operations and expansion are subject to various risks.

We currently conduct our operations through our operating subsidiaries in different regions around the world. We have been pursuing and will continue to pursue international expansion strategies. International expansion may expose us to additional risks, including:

• ever changing global environment, including changes in the United States, Greater China and international trade policies;

• challenges caused by distance as well as language, cultural and time zone differences;

• difficulties managing operations in new regions, including complying with the various regulatory and legal requirements;

• different approval or licensing requirements;

• recruiting sufficient suitable personnel in new markets;

• challenges in providing services and solutions as well as support in these new markets;

• challenges in attracting customers and collaborators;

• potential adverse tax consequences;

• foreign exchange losses;

• limited protection for intellectual property rights;
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- inability to effectively enforce contractual or legal rights; and
- local political, regulatory and economic instability or wars, civil unrest, and terrorist incidents.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business internationally will be affected, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are an AI-driven drug discovery company with a limited operating history. Since our inception in 2014, we have focused substantially all of our efforts and financial resources on building our end-to-end drug discovery solutions that integrate biology, chemistry and clinical development. We currently generate revenues primarily from drug discovery and software solutions. In addition, we have not obtained regulatory approvals for any of our product candidates with respect to our drug discovery business and there is no assurance that we will successfully obtain approvals in the future. We expect to continue to incur significant expenses and operating losses for the foreseeable future. Our prior losses, combined with expected future losses, have had and may continue to have an adverse effect on our working capital.

Our operations to date have focused on the provision of drug discovery services, enhancing our integrated technology platform, building our intellectual property portfolio and raising capital. We are also developing our internal drug discovery programs; however, we do not have any product candidates approved for sale and have not generated any revenue from our internal drug discovery programs. These operations provide a limited basis for you to assess our ability to successfully market and commercialize our services and product candidates. Consequently, predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history. We will encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields as we seek to shift our focus to late-stage development and commercial activities. If we do not address these risks and difficulties successfully, we may not be successful in such a transition.

To fund our growth and operations, we will need significant funding requirements, which may not be available on commercially acceptable terms or at all.

Drug discovery and development efforts are capital-intensive. We have used substantial funds and expect to continue to invest significant financial resources in enhancing our integrated technology platform, including improving our computation algorithms and AI models. Furthermore, we have used substantial funds to advance our internal discovery programs and develop product candidates, and we will require significant funds to conduct further research and development. In the event we decide to develop certain product candidates by ourselves, we will need significant funds to carry out future clinical trials of our product candidates, to seek regulatory approvals for our product candidates and to manufacture and market products, if any, that are approved for commercial sales. If our product candidates enter and advance through preclinical studies and clinical trials, we will need substantial additional funds to expand our development, regulatory and manufacturing capabilities. In addition, upon the closing of this [REDACTED], we expect to incur additional costs associated with operating as a [REDACTED] company.

To date, we have funded our operations primarily through capital contributions from our Shareholders. Our operations have consumed substantial amounts of cash since inception. As of December 31, 2022, we had US$207.9 million in cash and cash equivalents. The net cash used in our operating activities was US$38.1 million and US$47.5 million for 2021 and 2022, respectively. For further details of our cash used in operating activities, please see “Financial Information – Cash Operating Costs.” We expect our future cash expenditures to be significantly greater than in historical periods as we expect to grow significantly and increase our research and development expenses significantly as we develop our internal product candidate pipeline. Our future funding requirements and the period for which we expect increasing capital need may be different from what we are planning. Our expenditures vary based on new and ongoing research and development activities. Because of the numerous risks and uncertainties associated with our research and
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development activities, we are unable to predict the accurate timing and amount of our operating expenditures, which will depend largely on:

- the scope, timing, progress, costs and results of early discovery, preclinical studies and potential clinical development activities for our current product candidates and future programs we decide to pursue;
- the scope, timing, progress, costs and results of our efforts in enhancing our integrated technology platform, including improving our computation algorithms and AI models;
- the progress of the development efforts of parties with whom we have entered or may in the future enter into collaborations and research and development agreements;
- our ability to establish and maintain collaboration arrangements on favorable terms, if at all;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the cost, timing and outcome of regulatory review of our product candidates, if any;
- the costs and timing of future commercialization activities, including manufacturing, marketing, sales, and distribution, maintaining and expanding the customer base, for any of our service offerings;
- the revenue received from sales of our drug discovery and software solutions;
- our headcount growth and associated costs as we expand our business operations and our research and development activities; and
- the costs of operating as a public company.

We will need to obtain additional financing to fund our operations, and if we are unable to obtain sufficient financing, we may be unable to complete the development and commercialization of our drug candidates. Adequate additional financing may not be available to us on commercially acceptable terms, or at all. Disruptions in the financial markets, and more recently due to COVID-19, may affect our ability to meet our equity and debt financing fundraising objectives. Any failure to raise capital when needed or on commercially acceptable terms, may force us to delay, reduce or altogether cease our research and development programs or our current and future service offerings.

We have incurred net losses and negative cash flow from operations and we may continue to incur net losses and negative cash flow from operations in the near future.

We have a history of significant net losses and of experiencing, and we expect to continue to experience, negative cash flow from operations. Our net loss was US$130.5 million and US$221.8 million for 2021 and 2022, respectively. These losses have resulted primarily from expenses incurred in connection with research and development activities and general and administrative expenses associated with our operations. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest in our internal drug discovery program and our integrated technology platform. We expect to continue to incur net losses, as well as negative operating cash flow over the next several years. We anticipate that our expenses will increase substantially as we:

- continue ongoing and planned research and development of our pipeline programs;
- continue advancement of and investment in our integrated technology platform;
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• continue to expand and improve our drug discovery services;
• continue to expand our relationships with CROs, CDMOs, and other service providers;
• maintain, expand, enforce and protect our intellectual property portfolio;
• establish and enhance our sales and marketing teams to maintain and expand our customer relationship and business development efforts;
• attract, hire and retain additional scientific, technical, management and administrative personnel;
• invest in new technologies, products or businesses;
• expand our operations globally; and
• incur additional costs associated with operating as a public company upon the completion of this [REDACTED].

Our business is dependent on the strengths and market acceptance of our brands, including InSilico Medicine, Pharma.AI, Biology42, Chemistry42 and Medicine42. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that our brand is important to attracting and retaining customers and collaborators and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brands depend largely on the success of our ability to provide consistent, high-quality services, our marketing efforts and our ability to successfully secure, maintain, and defend our rights to use our brands and tradenames.

Our brand could be harmed if we fail to achieve these objectives. Our brand value also depends on our ability to maintain a positive customer perception of our corporate integrity, purpose and brand culture. Any negative publicity concerning us, our management, employees, affiliates, third-party collaborators, CROs and other partners, or any entity that shares the “InSilico” name, even if untrue, could adversely affect our reputation and business prospects. There can be no assurance that negative publicity about us or any of our affiliates or any entity that shares the “InSilico” name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

We have historically derived a significant percentage of our revenues from a concentrated group of customers and any loss of our major customers could materially and adversely affect our business, results of operations and/or financial condition.

Our five largest customers in 2021 and 2022 contributed 53.2% and 90.6% of total revenues in the respective periods. Our fifth and sixth largest customers in 2021 shared identical sales amount and percentage. The largest customer in 2021 and 2022 contributed 14.3% and 56.6% of total revenues in the respective periods. The loss of any of our major customers could have a material adverse effect on our results of operations and financial condition. We may not be able to maintain our customer relationships, and our customers may delay payment under, or fail to renew, their agreements with us, which could adversely affect our business, results of operations or financial condition. Any reduction in the amount of revenues that we derive from our major customers, without an offsetting increase in new sales to other customers, could have a material adverse effect on our operating results. A significant change in the liquidity or financial position of our customers generally could also have a material adverse effect on the collectability of our accounts receivable, our liquidity, and our future operating results.
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A significant portion of revenue comes from drug discovery services. There is inherent uncertainty in the timing and probability of our future milestone payments as they will be paid based on the achievement of specific development, regulatory, or commercial sales milestones, and the loss of which could result in a significant decrease in our revenues.

Our drug discovery services accounted for 78.2% and 95.0% of our total revenue in 2021 and 2022, respectively. We have historically received upfront payments under collaboration agreements. Our drug discovery collaborations may not result in the development or commercialization of product candidates in a timely manner, or at all. Moreover, even if a drug discovery collaboration initially leads to the achievement of milestones that result in payments to us, it may not continue to do so. The significant reduction in revenue from research and development collaboration with any such customers, would adversely affect our profitability. Furthermore, if we experience difficulties in the collection of our accounts receivable from our major customers, our results of operation may be materially and adversely affected.

Raising additional capital may be dilutive to our Shareholders and result in restrictions on our operations or require us to relinquish rights to our technologies or drug candidates.

We may seek additional funding through a combination of equity and debt financings and collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the beneficial ownership interest of existing Shareholders and the holders of our Shares will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing Shareholders and the holders of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements from third parties, we may have to relinquish valuable rights to our technologies, product candidates, or future revenue streams, or grant licenses on terms that are not favorable to us.

If we fail to manage our technology infrastructure, our internal drug discovery team may experience service outages and our existing or future customers and collaborators may experience delays in the deployment of our solutions.

We have experienced significant growth in the number of research projects that our technology infrastructure supports. We seek to maintain sufficient excess capacity in our technology infrastructure to meet the needs of all of our customers and collaborators, and to support our internal drug discovery programs. We also seek to maintain excess capacity to facilitate the rapid provision of solutions to new customers and collaborators. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions. However, updating our technology infrastructure requires adequate lead-time. We may experience website disruptions, outages, and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, we may experience service outages that may cause us to delay the delivery of work products and subject us to financial penalties, financial liabilities, and customer losses. If our technology or other operation infrastructure fails to keep pace with increased sales and usage, customers, collaborators and our internal drug discovery team may experience delays in the deployment of our solutions as we seek to obtain additional capacity, which could adversely affect our reputation and adversely affect our revenues.
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Our internal computer systems, or those of any of our customers, third-party service providers, manufacturers, other contractors, consultants or potential future collaborators, may fail or suffer actual or suspected security or data privacy incidents or other unauthorized or improper access to, use of or destruction of our proprietary or confidential data, employee data or personal information, which could result in additional costs, loss of revenue, significant liabilities, harm to our brand, material disruption of our operations and, potentially, significant delays in our clinical trials and delivery of our product candidates to market.

In the ordinary course of our business, we may collect, store, and transmit information which could be confidential or sensitive, including research and development information, intellectual property, proprietary business information and personal information. As a result, it is critical that we do so in a secure manner to maintain the confidentiality, integrity and accessibility of such information. We also have outsourced certain of our operations to third parties, and as a result, we manage a number of third parties who have access to our information. In the future, if and when we conduct clinical trials on selected product candidates, we may also collect and store clinical data that may include health information.

Despite the implementation of security measures, our internal computer systems, and those of other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, cyberattacks by malicious third parties (including the deployment of harmful malware (such as malicious code, viruses and worms)), supply chain attacks, natural disasters, global pandemics, fire, terrorism, war and telecommunication and electrical failures, fraudulent activity, as well as security incidents from inadvertent or intentional actions (such as error or theft) by our employees, contractors, consultants, business partners, and/or other third parties, phishing attacks, ransomware, denial-of-service attacks, social engineering schemes and other means that affect service reliability and threaten the confidentiality, integrity and availability of information, which may compromise our system infrastructure as well as lead to unauthorized access, disclosure or acquisition of information. Threat actors, personnel (such as through theft or misuse), sophisticated nation-states, and nation-state-supported actors now engage and are expected to continue to engage in cyberattacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including cyber-attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services.

Additionally, because the techniques used to obtain unauthorized access or sabotage systems change frequently, are increasingly sophisticated, and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures in all instances. The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our information technology systems, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure or data loss. To the extent that any disruption or security incident results in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our future product candidates could be delayed. Any such security incidents, if occur in the future, may result in unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of the sensitive, proprietary and confidential information that we handle. While we employ security measures to prevent, detect, and mitigate potential harm on our network, these measures may not be effective in every instance.

In addition, if our employees fail to adhere to our security practices, or if the technical solutions we have adopted malfunction, our customers and collaborators may lose confidence in our ability to maintain the confidentiality of their proprietary information. This risk extends to the third-party vendors and subcontractors we use to manage this sensitive data and third-party collaborators who share with us sensitive data. Any or all of these issues could adversely affect our ability to attract new customers, cause existing customers or collaborators to elect to not to enter into new collaborations with us or procure
additional services from us, result in reputational damage or subject us to third-party lawsuits or other action or liability, which could adversely affect our operating results.

We may also be required to comply with laws, regulations, rules, industry standards, and other legal obligations that require us to maintain the security of personal data. We may also have contractual and other legal obligations to notify customers, collaborators, or other relevant stakeholders of security incidents. Failure to prevent or mitigate cyberattacks could result in unauthorized access to data, including proprietary and personal information. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities, and others of security breaches involving certain types of data. Such disclosures are costly, could lead to negative publicity, may cause our customer or collaborators or other relevant stakeholders to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security incident. In addition, the costs to respond to a cybersecurity event or to mitigate any identified security vulnerabilities could be significant, including costs for remediating the effects of such an event, paying a ransom, restoring data from backups, and conducting data analysis to determine what data may have been affected by the breach. In addition, our efforts to contain or remediate a security incident or any vulnerability exploited to cause an incident may be unsuccessful, and efforts and any related failures to contain or remediate them could result in interruptions, delays, harm to our reputation, and increases to our insurance coverage.

In addition, litigation resulting from security breaches may adversely affect our business. Unauthorized access to our information technology systems could result in litigation with our customers, collaborators, or other relevant stakeholders. These proceedings could force us to spend money in defense or settlement, divert management’s time and attention, increase our costs of doing business, or adversely affect our reputation. We could be required to fundamentally change our business activities and practices in response to such litigation, which could have an adverse effect on our business. If a security breach were to occur and the confidentiality, integrity or availability of our data or the data of our collaborators were disrupted, we could incur significant liability, which could negatively affect our business and damage our reputation.

Furthermore, insurance may not be adequate to cover losses associated with such events, and in any case, such insurance may not cover all of the types of costs, expenses, or at all, and losses we could incur to respond to and remediate a security breach. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

We may not be able to attract and retain senior management members, board members, research and development and other key personnel.

Our future success depends upon the continuing services of members of our senior management team and key research and development personnel and consultants. Although we typically require our key personnel to enter into the proprietary information and invention assignment agreement, which contains non-compete and confidentiality clauses, with us, we cannot prevent them joining our competitor after the non-compete period. The loss of their services could adversely impact our ability to achieve our business objectives. If one or more of our senior management or key clinical and scientific personnel are unable or unwilling to continue in their present positions or joins a competitor or forms a competing company, we may not be able to replace them in a timely manner or at all, which will have a material and adverse effect on our business, financial condition and results of operations.

In addition, the continued growth of our business depends on our ability to hire additional qualified personnel, in particular those with expertise in molecular biology, chemistry, biological information
processing, software, engineering, and technical support. We compete for qualified management and scientific personnel with other life science and technology companies, universities, and research institutions globally. Competition for these individuals is intense, and the turnover rate can be high. Failure to attract and retain management and research and development personnel could prevent us from pursuing collaborations or developing our product candidates or technologies.

Our employees, third-party suppliers, consultants and partners may engage in misconduct or other improper activities, which could result in substantial costs and reputational harm.

We are exposed to the risk of fraud or other misconduct by our employees, third-party suppliers, consultants and partners. Misconduct by these parties could include intentional or unintentional failures to comply with the regulations of the NMPA, the FDA, the EMA, the Medsafe, the TGA and other regulators that have jurisdictions over us, comply with laws and regulations in relevant jurisdictions, including but not limited to those related to healthcare fraud and abuse, intellectual property infringement, corruption and unfair competition, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information obtained in the course of clinical studies, which could result in regulatory sanctions and cause serious harm to our reputation. We currently have a code of conduct applicable to all of our employees, but it is not always possible to identify and deter employee misconduct, and our code of conduct and the other precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, additional reporting or oversight obligations if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with the law and curtailment or restructuring of our operations, which could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, reputational harm and divert the attention of management in defending ourselves against any of these claims or investigations.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance based on our assessment of our operational needs and industry practice. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition. For additional information, see “Business—Insurance.”

If we engage in future acquisitions or strategic collaborations, this may increase our capital requirements, dilute the Shares held by our Shareholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic collaboration may entail numerous risks, including:

- increased operating expenses and cash requirements;
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- the assumption of additional indebtedness or contingent liabilities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management’s attention from our existing business and initiatives in pursuing such a strategic merger or acquisition;
- the costs associated with identifying investment, acquisition or collaboration targets;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products/services or product candidates and regulatory approvals; and/or
- our inability to generate revenue from acquired products/product candidates, technologies and/or businesses sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

If any portion of our revenue, expenses or cash flows is denominated in currencies other than U.S. dollars, our operating results and financial condition may be adversely affected by fluctuations in foreign currency exchange rates. In addition, the translation into U.S. dollars of revenues, expenses, assets and liabilities denominated in foreign currencies will be affected by changes in foreign currency exchange rates. We may not be able to hedge effectively against these risks, and the costs of such hedging may be significant. As a result, our net income and cash flows may be negatively affected by changes in foreign currency exchange rates.

Our results of operations, financial condition and prospects have been adversely affected by fair value changes of financial liabilities at fair value through profit or loss, in particular, by fair value changes in our preferred Shares. Changes in unobservable inputs and other estimates and judgments could also materially affect the fair value of our Shares with preferred rights, which in turn may adversely affect our results of operations.

We issued a series of preferred Shares prior to and during the Track Record Period. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. As of December 31, 2021 and 2022, our preferred Shares had a fair value of US$401.1 million and US$649.0 million, respectively. For further information regarding the Shares with preferred rights, see Note 26 to the Accountants’ Report in Appendix I to this Document. During the Track Record Period, our loss from changes in fair value of financial liabilities at FVTPL was US$81.1 million in 2021 and US$138.1 million in 2022.

The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method involving various parameters and inputs. Valuation techniques are
certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs require management estimates and are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of our Shares with preferred rights, which in turn may adversely affect our results of operations. We expect continued fluctuation of the fair value of our preferred Shares till the [REDACTED], upon which all the preferred Shares will automatically convert into ordinary Shares.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plans, which may result in increased share-based payment expenses. Those share-based awards may also adversely impact our results of operations and be dilutive to your [REDACTED].

We adopted the 2019 Share Plan, 2019 Equity Incentive Plan and 2021 Equity Incentive Plan, to enhance our ability to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of us. For details, please refer to the section headed “Appendix IV — Statutory and General Information — [REDACTED] Equity Incentive Plans.”

Similar to other biotech companies, we believe share-based awards as part of an overall compensation package is important to attracting and retaining key personnel and employees, and we plan to continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Alternatively, share-based awards may not provide an adequate incentive to retain key personnel.

Risks Related to Our Intellectual Property

Our patent portfolio comprises a significant portion of patent applications. If we are unsuccessful in obtaining or maintaining patent or other adequate intellectual property protection for one or more of our technologies or product candidates, due to any failure of granting our patent applications or licensed patent applications and/or issued patents covering one or more of our technologies or product candidates being found invalid or unenforceable if challenged in court or before administrative bodies, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

Our commercial success will depend, in large part, on our ability to obtain, maintain and defend patent and other intellectual property protection with respect to our integrated technology platform, in particular our algorithm and technologies, and products associated with our drug discovery and development of drug candidates. We seek to protect our proprietary position by filing patent applications in the United States, Hong Kong, China, Japan, Europe and under the Patent Cooperation Treaty (“PCT”), related to our technologies and any product candidates we may develop that are important to our business and by in-licensing intellectual property related to our technologies and product candidates. If we are unable to obtain or maintain patent protection with respect to any proprietary technologies or product candidate, our business, financial condition, results of operations, and prospects could be materially harmed.

We cannot be certain that patents will be issued or granted with respect to our patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect our technologies or product candidates, or otherwise provide us with any competitive advantage. The patent position of biotechnology and pharmaceutical companies is generally uncertain because it involves complex legal and factual considerations. Patent applications we have applied may not be granted in the end. Moreover, some patents and patent applications resulting from collaboration arrangements are, and may in the future be, co-owned with, or solely owned by third parties. If we are unable to obtain an exclusive license to any such third-party co-owned interest in such patents or patent applications, such co-owners may be able to license or assign
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their rights to other third parties, including our competitors, and our competitors could market competing 
products and use the same technologies. In addition, we may need the cooperation of any such co-owners of 
our patents in order to enforce such patents against third parties, and such cooperation may not be provided 
to us. Any of the foregoing could have a material adverse effect on our competitive position, business, 
financial conditions, results of operations and prospects. As such, we do not know the degree of future 
protection that we will have on our product candidates and technologies, if any, and a failure to obtain 
adequate intellectual property protection with respect to our product candidates and technologies could have 
a material adverse impact on our business.

Despite the fact that we can take measures to obtain patent and other intellectual property protections 
with respect to our technologies and product candidates, there can be no assurance that the existence, 
validity, enforceability, or scope of our intellectual property rights will not be challenged by a third party, or 
that we can obtain sufficient scope of claim in those patents to prevent a third party from practicing our 
technologies or competing against our product candidates. For example, in an infringement proceeding, a 
court may decide that patent rights or other intellectual property rights owned by us are invalid or 
unenforceable, or may refuse to order the other party from practicing the technology at issue on the ground 
that our patent rights or other intellectual property rights do not cover the technology in question. An 
adverse result in any litigation proceedings could put our patents, as well as any patents that may issue in 
the future from our pending patent applications, at risk of being invalidated, held unenforceable or 
interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection 
with intellectual property litigation, there is a risk that some of our confidential information could be 
compromised by disclosure during this type of litigation.

In addition, if we were to initiate legal proceedings against a third party to enforce a patent covering 
one of our technologies or product candidates, the defendant could counterclaim that our patent is invalid 
and/or unenforceable. Third parties may also raise similar claims before administrative bodies, even outside 
the context of litigation. Such mechanisms include ex parte re-examination, inter parties review, post-grant 
review, derivation and equivalent proceedings, such as opposition proceedings. Grounds for a validity 
challenge could be an alleged failure to meet any of several statutory requirements, for example, 
unpatentable subject matter, lack of novelty, obviousness or non-enablement. Grounds for an 
enunforceability assertion could be an allegation that someone connected with prosecution of the patent 
withheld relevant material information from the United States Patent and Trademark Office (“USPTO”), or 
other applicable foreign counterparts, or made a misleading statement, during prosecution. Although we 
believe that we have conducted our patent prosecution in accordance with the duty of candor and in good 
faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is 
unpredictable. With respect to the validity question, for example, we cannot be certain that there is no 
invalidating prior art, of which we, our patent counsel, and the patent examiner were unaware during 
prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we 
would lose at least part, and perhaps all, of the patent protection on our technologies or product candidates. 
Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent 
claims may be construed in a manner that would limit our ability to enforce such claims against the 
defendant and others. Any loss of patent protection could have a material adverse impact on one or more of 
our technologies or product candidates and our business.

We may not be successful in obtaining or maintaining necessary rights for our technology and pipeline 
development through acquisitions and in-licensing deals.

A central component of our growth strategy is to license pipeline assets we have developed. An 
inability to license these programs could materially impact our business and financing prospects. Because 
our integrated platform and programs may involve additional technologies and/or drug candidates that may 
require the use of proprietary rights held by third parties, the growth of our business may depend in part on 
our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable 
to acquire or in-license any compositions, methods of use, or other intellectual property rights from third 
parties that we identify.
The in-licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to in-license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to in-license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain or in-license rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant technology, program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Our obligations under our existing or future drug discovery collaboration agreements may limit our intellectual property rights that are important to our business.

We are a party to collaboration agreements with biotechnology and pharmaceutical companies, pursuant to which we participate in early drug discovery but have co-ownership or no ownership rights, to certain intellectual property generated through the collaborations. We may enter into additional collaboration agreements in the future, pursuant to which we may have co-ownership or no ownership rights to certain intellectual property generated through the future collaborations. If we are unable to obtain ownership or license of such intellectual property generated through our prior, current, or future collaborations and overlapping with, or related to, our own proprietary technologies or product candidates, then our business, financial condition, results of operations, and prospects could be materially harmed.

Our existing collaboration agreements contain certain exclusivity obligations that require us to design compounds exclusively for our collaborators with respect to certain specific targets over a specified time period. It is possible that our future collaboration agreements may potentially grant similar exclusivity rights to future collaborators with respect to target(s) that are the subject of such collaborations. These existing or future collaboration agreements may impose diligence obligations on us. In spite of our best efforts, our prior, current, or future collaborators might conclude that we have materially breached our collaboration agreements. If these collaboration agreements are terminated, or if the underlying intellectual property, to the extent we have ownership or license of, fails to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products and technology identical to ours. This could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects. Disputes may arise regarding intellectual property subject to a collaboration agreement, including:

- the scope of ownership or license granted under the collaboration agreement and other interpretation related issues;
- the extent to which our technologies and product candidates infringe on intellectual property that is generated through the collaboration of which we do not have ownership or license under the collaboration agreement;
- the assignment or sublicense of intellectual property rights and other rights under the collaboration agreement;
- our diligence obligations under the collaboration agreement and what activities satisfy those diligence obligations; and
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by us and our current or future collaborators.

In addition, collaboration agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may
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arise could narrow what we believe to be the scope of our rights to the relevant intellectual property, or increase what we believe to be our obligations under the relevant agreements, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have owned, co-owned, or in-licensed under the collaboration agreements prevent or impair our ability to maintain our current collaboration arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected technology or product candidates, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various patent offices or authorities require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application and prosecution process. Periodic maintenance fees, renewal fees, annuity fees, and various other governmental fees on patents and/or applications will be due to be paid to the USPTO and various other patent offices or authorities in several stages over the lifetime of the patents and/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official communications within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which non-compliance can result in abandonment or lapse of a patent or patent application, resulting in loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case, which could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

Patent terms may not be sufficient to effectively protect our product candidates and technology platform.

In most countries in which we plan to file applications for patents, the term of an issued patent is generally 10 to 20 years from the earliest claimed filing date if a non-provisional patent application in the applicable country. Although various extensions may be available, the life of a patent and the protection it affords are limited. Even if patents covering our product candidates and technology platform are obtained, we may be open to competition from other companies once our patent rights expire. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protection for such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We, our collaborators and/or our business partners may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. In addition, we cannot assure you that all inventors have been or will be identified by us and/or by our collaborators and/or our business partners despite diligent effort. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our product candidates or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be
necessary to resolve these and other claims challenging inventorship and/or ownership. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to enforce, such valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Our collaborators and/or our business partners may have relied on third-party consultants or collaborators such that our collaborators and/or our business partners are not the sole and exclusive owners of the patents we in-licensed or utilized. If other third parties have ownership rights or other rights to our in-licensed patents, they may be able to license such patents to our competitors, and our competitors could market competing products or services. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

**We may not be able to enter into invention assignment and confidentiality agreements with all of our employees and third parties and such agreements may not prevent ownership disputes or unauthorized disclosure of trade secrets and other proprietary information.**

We rely upon unpatented trade secrets, unpatented know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, by entering into agreements, including patent or invention assignment agreements, confidentiality agreements and non-disclosure agreements, with parties that have access to them, such as our employees, consultants, academic institutions, corporate partners and, other third-party service providers. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors or business partners might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable.

We sometimes enter into agreements to sponsor individuals or research institutions to conduct research relevant to our business. The ability of these individuals or research institutions to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not file patent application(s) prior to such publication, or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret or proprietary information may be jeopardized, which could adversely affect our business, financial condition and results of operations.

We also seek to enter into agreements with our employees and consultants that obligate them to assign any inventions created during their work for us to us. However, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing. It is possible that technology relevant to our business will be independently developed by a person that is, or is not, a party to such an agreement. Furthermore, if the employees, consultants or collaborators who are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets and inventions through such
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breaches or violations. Any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to claims that our employees, consultants and/or advisors have wrongfully used or disclosed alleged trade secrets of their former employers.

Some of our employees, consultants and/or advisors were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee’s former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Intellectual property rights may not necessarily protect us from all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage.

The following examples are illustrative:

• others may be able to independently develop similar or alternative technologies or designs that are similar to our product candidates but that are not covered by the claims of the patents that we own or have or have obtained an exclusive license to;

• we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;

• we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;

• others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;

• confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information. If we are unable to protect the confidentiality of our trade secrets, including unpatented know-how, technology and other proprietary information, our business and competitive position would be harmed;

• it is possible that our pending patent applications will not lead to issued patents;

• issued patents that we own or have obtained an exclusive license to may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

• our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive services and products for commercialization in our major markets;
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- we may fail to develop additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our product candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

Changes in patent laws could result in uncertainty with respect to our patent protection and increase the risk of early generic competition with our products.

Our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the AI-driven drug research and development service market involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States or China could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Recent patent reform legislation in the United States and other countries, including the Leahy-Smith America Invents Act (“Leahy-Smith Act”) signed into law in September 2011, could increase those uncertainties and costs. The Leahy-Smith Act includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents. For example, the Leahy-Smith Act allows third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. In addition, the Leahy-Smith Act has transformed the United States patent system from a “first-to-invent” system to a “first-to-file” system in which, assuming that other requirements for patentability are met, the first applicant to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. The first-to-file provisions, however, only became effective on March 16, 2013. Accordingly, it is not yet clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could make it more difficult to obtain patent protection for our inventions and increase the uncertainties and costs surrounding the prosecution of our or our collaboration partners’ patent applications and the enforcement or defense of our or our collaboration partners’ issued patents, all of which could harm our business, results of operations, financial condition and prospects.

In addition, the patent positions of companies in the development and commercialization of biotechnology and pharmaceuticals are particularly uncertain. The United States Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the validity and enforceability of patents, once obtained. Additionally, there have been recent proposals for additional changes to the patent laws of the United States and other countries that, if adopted, could impact our ability to enforce our proprietary technologies. Depending on future actions by the United States Congress, the United States courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our existing patent portfolio and weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. We may also encounter difficulties in protecting and defending such rights in
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foreign jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the jurisdictions of the registration of our intellectual properties. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products. Our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to the [REDACTED]

No [REDACTED] currently exists for our Shares, and an active [REDACTED] for our Shares may not develop and the [REDACTED] for the Shares may decline or fluctuate significantly.

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our Shares. There can be no guarantee that an active [REDACTED] for our Shares will develop or be sustained after the completion of the [REDACTED]. The initial [REDACTED] is the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) based upon several factors, which may not be indicative of the price at which our Shares will be [REDACTED] following completion of the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares. As a result, a [REDACTED] on the Stock Exchange does not guarantee that an active and liquid [REDACTED] for our Shares will develop, especially during the period when a significant portion of our Shares are subject to [REDACTED], or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the Shares will not decline following the [REDACTED].

The [REDACTED] and [REDACTED] of our Shares may be volatile, which could result in substantial losses to [REDACTED].

The [REDACTED] of our Shares may be volatile and could fluctuate widely due to factors beyond our control, including general market conditions of the securities market in Hong Kong, the PRC, the United States and elsewhere in the world. The stock market in general, and pharmaceutical and biotechnology companies in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. In addition to market and industry factors, the [REDACTED] and [REDACTED] of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, the [REDACTED] of the securities of biotech companies at the time of or after their [REDACTED] may affect the overall [REDACTED] sentiment towards other biotech companies [REDACTED] in Hong Kong and consequently may impact the [REDACTED] of our Shares.
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There will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, and the [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The [REDACTED] to the [REDACTED] of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be five business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of the Shares in the public market following the [REDACTED] could materially and adversely affect the price of our Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The [REDACTED] of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the [REDACTED], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holding if we issue more securities in the future. New Shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

As the [REDACTED] of our [REDACTED] is higher than our net tangible book value per Share, purchasers of our Shares in the [REDACTED] may experience immediate dilution upon such purchases. Purchasers of our [REDACTED] may also experience future dilution in shareholding if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible asset value, and our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible assets per Share of their Shares. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. [REDACTED] of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Because we do not expect to pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of the Shares for return on your [REDACTED].

We currently intend to retain most, if not all, of our available funds and any future earnings after the [REDACTED] to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may, subject to the provisions of the Cayman Islands law and our articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as
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they fall due in the ordinary course of business. Even if our Board declares and pays dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distribution (if any) received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by the Board. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

We cannot make fundamental changes to our business without the consent of the Stock Exchange.

On April 30, 2018, the Hong Kong Stock Exchange adopted new rules under Chapter 18A of its Rules Governing the Listing of Securities on the Stock Exchange. Under these rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this document. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Chapter 18A. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities in our place, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

We have discretion as to how we will use the [REDACTED] from the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways with which you may not agree or which do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED] to fund our R&D and business development activities. For details, see “Future Plans and Use of [REDACTED] – Use of [REDACTED].” However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the [REDACTED] from this [REDACTED].

We are a Cayman Islands company and, because judicial precedent regarding the rights of Shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority shareholders may be located. See “Appendix III – Summary of the Constitution of our Company and Cayman Companies Act” in this document.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management or our Directors, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.
RISK FACTORS

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

Subsequent to the date of this document but prior to the completion of the [REDACTED], there may be press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this document only and should not rely on any other information.
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]
In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and certificates of exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules, given that only one of our executive Directors, Mr. Alex Zhavoronkov, Ph.D., is ordinarily residing in Hong Kong. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that in order to conduct and develop our business operations which spread across the globe, only one of the two executive Directors ordinarily resides in Hong Kong. As such, the Joint Sponsors have applied, on behalf of our Company, to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Alex Zhavoronkov, Ph.D., our executive Director and CEO, and Ms. Leung Kwan Wai, our company secretary. Both of our authorized representatives are situated and based in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of our authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with enquiries from the Stock Exchange;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his or her contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required. In the event that a Director expects to travel or is otherwise out of office, he or she will endeavor to provide his or her phone number of the place of his or her accommodation to the authorized representatives or maintain an open line of communication via his or her mobile phone;

(c) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance adviser, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Adviser; and

(f) we will appoint other professional advisors (including legal advisors in Hong Kong) after the [REDACTED] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

EXEMPTION IN RELATION TO FINANCIAL STATEMENTS IN THIS DOCUMENT

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up
and Miscellaneous Provisions) Ordinance (the “Third Schedule”), and set out the reports specified in Part II of the Third Schedule.

Paragraph 27 of Part I of the Third Schedule requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule further requires a company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the company for each of three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the company of each of the three financial years immediately preceding the issue of the prospectus.

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document be included in the accountants’ report to its prospectus.

Our Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a [REDACTED] under Chapter 18A of the Listing Rules. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to [REDACTED] under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to “three financial years” or “three years” in Rule 4.04 shall instead be references to “two financial years” or “two years”, as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the [REDACTED] document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants’ Report of our Company set out in Appendix I to this Document is currently prepared to cover the two financial years ended December 31, 2021 and 2022.

As such, the Joint Sponsors have applied, on behalf of our Company, to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule regarding the inclusion of the accountants’ report covering the full three financial years immediately preceding the issue of this Document on the following grounds:

a) our Company is an end-to-end generative AI-driven biotech company with a business model consisting of (i) the research and development of our generative AI-driven therapeutic pipeline and (ii) software licensing, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for [REDACTED] required under Chapter 18A of the Listing Rules;

b) the Accountants’ Report for the two years ended December 31, 2021 and 2022 will be disclosed in the final Document of the Company and is set out in Appendix I to this Document in accordance with Rule 18A.06 of the Listing Rules;
c) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2021 and 2022 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2020 would require additional work to be performed by our Company and our auditors, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;

d) notwithstanding that the financial results set out in this Document are only for the two financial years ended December 31, 2021 and 2022 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Document pursuant to the relevant requirements; and

e) our Directors are of the view that the Accountants’ Report covering the two financial years ended December 31, 2021 and 2022 (as set out in Appendix I to this Document), together with other disclosures in this Document, have already provided adequate and reasonable up-to-date information in the circumstances for the potential [REDACTED] to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the [REDACTED].

The SFC [has granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule on the condition that particulars of the exemption are set out in this Document and that this Document will be issued on or before [REDACTED].

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] EQUITY INCENTIVE PLANS

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in this Document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.
As of the date of this document, our Company had granted outstanding options under the [REDACTED] Equity Incentive Plans to 72 grantees (the “Grantees”) to subscribe for an aggregate of 1,764,886 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), which included options granted to (i) one Director with respect to 186,621 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]); (ii) five members of the senior management with respect to 590,735 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]); (iii) one connected person with respect to 55,000 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]); and (iv) 65 other grantees of our Group with respect to 932,530 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]).

The Shares underlying the outstanding options represent approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans). No options and share awards under the [REDACTED] Equity Incentive Plans will be further granted. For more details of our [REDACTED] Equity Incentive Plans, see “Appendix IV — Statutory and General information — [REDACTED] Equity Incentive Plans”.

The Joint Sponsors have applied, on behalf of our Company, to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options granted to the Grantees in this document on the ground that the waiver and the exemption will not prejudice the interest of the [REDACTED] and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

(a) since the outstanding options under the [REDACTED] Equity Incentive Plans were granted to a total of 72 Grantees as of the date of this document, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in this document will require substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] and would significantly increase the cost and timing for information compilation and document preparation;

(b) key information of the outstanding options granted under the [REDACTED] Equity Incentive Plans to our Director, members of the senior management and a connected person of the Company has already been disclosed under the section headed “Appendix IV — Statutory and General Information — [REDACTED] Equity Incentive Plans”;

(c) the key information of the [REDACTED] Equity Incentive Plans as disclosed in “Appendix IV — Statutory and General Information — [REDACTED] Equity Incentive Plans” is sufficient to provide potential [REDACTED] with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the [REDACTED] Equity Incentive Plans in their [REDACTED] decision making process;

(d) the disclosure of the personal details of each Grantee, including the number of options granted and address may require obtaining consent from all the Grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents;

(e) given the nature of the business of the Company, it is extremely important for the Company to recruit and retain talents, and the success of the Company’s long-term development plan will very much depend on the loyalty and contribution of the Grantees, whereas the information relating to the options granted to the Grantees is highly sensitive and confidential, and may adversely affect the Company’s cost and ability to recruit and retain talents;
WAIVERS AND EXEMPTIONS

(f) with respect to the other Grantees as of the date of this document, such number of Shares (representing only approximately [REDACTED]% of the total issued share capital of the Company immediately following the completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised) is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company; and

(g) the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Group and will not prejudice the interest of the [REDACTED].

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that:

(a) the following information will be clearly disclosed in this document:

(i) on individual basis, full details of all the outstanding options granted by the Company under the [REDACTED] Equity Incentive Plans to each of the Director, members of the senior management and a connected person of the Company, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule;

(ii) in respect of the outstanding options granted by the Company to the grantees other than those referred to in sub-paragraph (i) above:

a. the aggregate number of the Grantees and the number of Shares subject to the outstanding options;

b. the consideration paid for and the date of the grant of the options; and

c. the exercise period and the exercise price for the options;

(iii) the dilution effect and impact on earnings per Share upon full exercise of the outstanding options granted under the [REDACTED] Equity Incentive Plans;

(iv) the aggregate number of Shares subject to the outstanding options granted by the Company under the [REDACTED] Equity Incentive Plans and the percentage of the Company’s issued share capital of which such number represents;

(v) a summary of the [REDACTED] Equity Incentive Plans; and

(vi) the list of all the Grantees (including the persons referred to in paragraph (ii) above), containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule be made available for public inspection in accordance with the section headed “Appendix V – Documents Delivered to the Registrar of Companies and Available on Display – Document Available for Inspection.”

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule, subject to the conditions that:

(a) full details of the options under the [REDACTED] Equity Incentive Plans granted to our Director, members of the senior management and a connected person of the Company will be disclosed in this document and such details include all the particulars required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance:
WAIVERS AND EXEMPTIONS

(b) in respect of the options granted under the [REDACTED] Equity Incentive Plans to Grantees other than those referred to in (a) above, disclosure is made in the document on an aggregate basis with the following details, including (i) the aggregate number of such Grantees and the number of Shares subject to the options granted to them under the [REDACTED] Equity Incentive Plans, (ii) the consideration paid for the grant of the options under the [REDACTED] Equity Incentive Plans, and (iii) the exercise period and the exercise price for the options granted under the [REDACTED] Equity Incentive Plans;

(c) a full list of all the grantees (including the persons referred to in sub-paragraph (b) above) who have been granted options to subscribe for Shares under the [REDACTED] Equity Incentive Plans, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule, be made available for inspection in accordance with the section headed “Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection; and

(d) the particulars of the exemption be set forth in this document and that this document will be issued on or before [REDACTED].
### DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov), Ph.D.</td>
<td>Flat 25 D, Tower 2A (Moon Tower) The Arch No.1 Austin Road West Kowloon Hong Kong</td>
<td>Canadian/Latvian</td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D. (任峰)</td>
<td>Room 601, Building 1, Lane 219 Jinan East Road Pudong, Shanghai China</td>
<td>Chinese</td>
</tr>
<tr>
<td><strong>Non-executive Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Min Fang (方敏)</td>
<td>Room 1801, No. 14 Lane 625, Taixing Road Jing’an District, Shanghai China</td>
<td>Chinese</td>
</tr>
<tr>
<td>Mr. Kan Chen, Ph.D. (陳侃)</td>
<td>3842 167th PL NE Apartment K2033 Redmond Washington 98052-6331 United States of America</td>
<td>Chinese</td>
</tr>
<tr>
<td><strong>Independent Non-Executive Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Jingsong Wang, Ph.D. (王勤松)</td>
<td>Apartment C, Floor 2 No. 228 Xingguo Road Changning District Shanghai 200031 China</td>
<td>American</td>
</tr>
<tr>
<td>Ms. Denitsa Milanova, Ph.D.</td>
<td>230 Commonwealth Avenue, Apt. 4 Boston Massachusetts 02116-2561 United States of America</td>
<td>Bulgarian</td>
</tr>
<tr>
<td>Mr. Roman Kyrychynskyi</td>
<td>36 Puckeridge Cres Etobicoke Ontario M9B 3A2 Canada</td>
<td>Canadian</td>
</tr>
</tbody>
</table>

For more details of our Directors, see “Directors and Senior Management.”
PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Center
1 Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Center
1 Harbour View Street
Central
Hong Kong

[REDACTED]
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to our Company  

As to Hong Kong and U.S. laws

Davis Polk & Wardwell  
10th Floor  
The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

As to PRC law

Jingtian & Gongcheng  
45/F, K. Wah Center  
1010 Huaihai Road (M)  
Xuhui District, Shanghai  
China
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Cayman Islands law

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Legal Advisers to the Joint Sponsors and the [REDACTED]

As to Hong Kong and U.S. laws

Cooley HK
35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-14th Floor
China World Office 2
No.1 Jian Guo Men Wai Avenue
Beijing, 100004
China

Reporting Accountants and Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor
35/F One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
2504 Wheelock Square
1717 Nanjing West Road
Shanghai
China

Compliance Adviser

Guotai Junan Capital Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen’s Road
Central
Hong Kong

[REDACTED]
CORPORATE INFORMATION

Registered Office 190 Elgin Avenue, George Town  
Grand Cayman KY1-9008  
Cayman Islands

Headquarters  
Hong Kong  
Unit 310, 3/F, Building 8W, Phase 2,  
Hong Kong Science Park  
Pak Shek Kok  
New Territories, Hong Kong

United States  
345 Park Avenue South,  
2nd Floor,  
Suite 006 New York,  
NY 10010  
United States

Principal Place of Business in Hong Kong  
Unit 310, 3/F, Building 8W, Phase 2,  
Hong Kong Science Park  
Pak Shek Kok  
New Territories, Hong Kong

Company’s Website insilico.com  
(the information contained on this website does not form part of this Document)

Company Secretary Ms. Leung Kwan Wai (梁君慧), HKACG, ACG  
5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

Authorized Representatives Mr. Alex Zhavoronkov, Ph.D.  
Unit 310, 3/F, Building 8W, Phase 2,  
Hong Kong Science Park  
Pak Shek Kok  
New Territories, Hong Kong  
Ms. Leung Kwan Wai (梁君慧)  
5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

Audit Committee Mr. Roman Kyrychynskyi (Chairman)  
Mr. Jingsong Wang, Ph.D.  
Ms. Denitsa Milanova, Ph.D.

Remuneration Committee Mr. Jingsong Wang, Ph.D. (Chairman)  
Mr. Min Fang  
Mr. Feng Ren, Ph.D.  
Mr. Roman Kyrychynskyi  
Ms. Denitsa Milanova, Ph.D.
CORPORATE INFORMATION

Nomination Committee
Mr. Alex Zhavoronkov, Ph.D. (Chairman)
Mr. Kan Chen, Ph.D.
Mr. Jingsong Wang, Ph.D.
Mr. Roman Kyrychynskyi
Ms. Denitsa Milanova, Ph.D.

ESG Committee
Mr. Feng Ren, Ph.D. (Chairman)
Mr. Alex Zhavoronkov, Ph.D.
Mr. Jingsong Wang, Ph.D.
Mr. Roman Kyrychynskyi
Ms. Denitsa Milanova, Ph.D.

[REDACTED]

Principal Banks
The Hong Kong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen’s Road Central
Hong Kong

JP Morgan Chase Bank N.A., Hong Kong Branch
Chater House
8 Connaught Road Central
Hong Kong
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this Document were extracted from the Frost & Sullivan Report, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy, fairness and completeness. For more details of the risks relating to our industry, see “Risk Factors” in this Document.

GLOBAL PHARMACEUTICAL MARKET

The global pharmaceutical market is growing due to Increasing investment in AI, Aging population, Regulatory reforms and Movement towards value-based healthcare.

Market Size of the Global Pharmaceutical Market

The market size of the global pharmaceutical market has reached US$1,401.2 billion in 2021. It is expected to increase to US$1,718.8 billion by 2025 and to US$2,114.8 billion by 2030, with CAGRs of 5.2% and 4.2%, respectively. As of 2021, the U.S. and China pharmaceutical markets are the top two markets in terms of revenue. The U.S. is the largest pharmaceutical market in the world, with a market size of US$558.6 billion in 2021. It is expected to increase to US$678.3 billion by 2025 and to US$815.8 billion by 2030, with a CAGR of 5.0% and 3.8%, respectively. China is the second largest pharmaceutical market in the world, with a market size of US$246.6 billion in 2021. It is expected to increase to US$320.0 billion by 2025 and to US$424.5 billion by 2030, with a CAGR of 6.7% and 5.8%, respectively. The rapid growth of the global pharmaceutical market is driven in part by increasing R&D spending, with a focus on measures that can help pharmaceutical companies reduce costs, control risks, increase R&D efficiency and improve competitiveness. The following chart illustrates the projected growth of the global pharmaceutical market.

Source: Frost & Sullivan Report
Note: EU5 includes the regions of UK, France, Germany, Spain and Italy

The Innovative Drug Market

Innovative drugs are drugs that contain a previously unapproved active pharmaceutical ingredient or combination of active pharmaceutical ingredients, as well as drugs with innovative formulations. In 2021,
these drugs accounted for the largest share of the global pharmaceutical market at US$967.0 billion. It is expected to reach US$1,222.7 billion in 2025 and US$1,545.5 billion in 2030, with CAGRs of 6.0% and 4.8%, respectively. In contrast, generics and biosimilars account for a smaller portion of the global market. They are expected to reach US$496.1 billion in 2025 and US$569.3 billion in 2030, with CAGRs of 3.4% and 2.8%, respectively.

The future growth rate of innovative drugs is expected to be higher than that of generics and biosimilars. This trend applies to innovative small molecule drugs, such as innovative small molecule drugs for targeted anticancer therapy, which is growing at a faster rate than generics and biosimilars.

**Growth Drivers of the Global Pharmaceutical Market**

According to Frost & Sullivan, the growth of the global pharmaceutical market is expected to be driven by the following factors:

- **Increasing investment in AI.** The pharmaceutical industry is investing in AI technologies to accelerate drug discovery, reduce development costs, and bring new drugs to market faster. AI can help researchers identify new drug targets, design new drugs, and predict drug efficacy and toxicity, reducing the time and cost associated with drug discovery and development. By analyzing vast amounts of data, AI can create new modalities, generate biomarkers and therapeutic targets, identify new drug candidates, design clinical trials, and lead to novel drug development and repurposing.

- **Aging population.** The global population is aging due to declining fertility rates and increasing life expectancy. This demographic shift has led to an increased global burden of disease, requiring more effective and targeted solutions from the pharmaceutical industry. As a result, personalized medicine is becoming an emerging focus in healthcare. With the availability of genetic testing and novel therapeutics, personalized medicine tailors treatment to an individual’s genes, environment and lifestyle, potentially maximizing efficacy. The integration of personalized medicine into healthcare is a growth driver for the global pharmaceutical market, with the FDA approving 19 new personalized medicines in 2020, accounting for 39% of therapeutic new molecular entities approved that year.

- **Regulatory reforms.** Regulatory reforms aimed at incentivizing the development of drugs targeting unmet medical needs and streamlining approval processes are expected to drive rapid growth in the global pharmaceutical market. In the U.S., the Orphan Products Grants Program provides funding for clinical trials and studies, and the Orphan Drug Tax Credit help pharmaceutical companies lower their development costs for orphan drugs. In China, the issuance of the “Opinions on the Reform of Drug and Medical Device Review and Approval” aims to improve the regulatory system and environment for the pharmaceutical market, promote innovation and the use of new technologies, and streamline the drug approval process to ensure that safe and effective drugs reach patients more quickly.

- **Movement towards value-based healthcare.** Value-based healthcare is a healthcare framework that prioritizes outcomes over treatments and focuses on the quality of care. This approach incentivizes healthcare providers to deliver services that result in positive patient health outcomes. Under this framework, providers are reimbursed based on patient outcomes rather than the volume of tests and treatments. The framework emphasizes the importance of rigorous clinical validation of new drugs to ensure efficacy and safety. Since new drugs under this framework are approved based on their ability to deliver real health outcomes, patients are more likely to be willing to pay for these treatments.
INDUSTRY OVERVIEW

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

Pharmaceutical R&D is a complex and multifaceted process that requires a significant investment of time and resources and requires significant expertise and experience with drug discovery and development. It is characterized by high risk and long development times.

The process of new drug research and development typically involves successive experimentation and data compilation and analysis across three principal areas: discovery, preclinical and clinical. Although the success rate for each distinct stage of drug discovery is relatively high as compared to other drug development stages, the overall success rate for drug discovery is only 51% from target-to-hit to lead optimization. Drug discovery involves the identification of new potential medicines, typically encompassing target identification and validation, hit identification and lead generation and optimization. Preclinical studies typically involve studies in animal models to evaluate for toxicology and other parameters, optimization of chemical synthesis and drug formulation and other studies necessary to secure approval to commence clinical trials. Clinical trials entail successive trials in healthy volunteers and patients to establish drug safety and efficacy with the aim of securing regulatory approval.

Drug discovery is becoming increasingly difficult as traditional drug discovery methods have exploited much of the low-hanging fruit for drug discovery and development. These targets are typically proteins or pathways that are well understood and have clear links to specific diseases. Over the years, many of these low-hanging fruits have been discovered and turned into successful drugs, leaving researchers with fewer options for finding new drugs using traditional methods. At the same time, the growth rate of drug discovery spending is continuing to accelerate, driven by increasing demand for innovative drugs worldwide. The CAGR for total drug R&D expenditure is 7.9% from 2017 to 2021 and is expected to be 6.9% from 2021 to 2026. The combination of increased spending and reduced ROI may prove unsustainable for pharmaceutical companies, and many are turning to AIDD drug discovery to reduce costs and increase returns. The following chart illustrates these trends, with the exception of 2021, where COVID-19 investments experienced a spike in IRR.
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Sources: Literature Search, Annual Reports, Expert Interview and Frost & Sullivan Report

Note: IRR presents the efficiency and profitability of the investment and represents expected compound annual rate of return from late-stage pipelines (assets that are in Phase II with breakthrough therapy designation, Phase III or filed) based on average cost to develop the assets in each company’s pipeline and the expected sales from the asset. IRR is a compound discount rate that makes the net present value (“NPV”) of future cashflows equal zero, while NPV represents the current value of future cashflows.

AIDD

Machine Learning, Deep Learning and Generative AI

Machine Learning and Deep Learning

AI is a field of computer science that focuses on creating technologies that performed advanced functions historically requiring human intelligence, such as natural language processing, image recognition, data analysis and decision making. Machine learning (“ML”) is a subset of AI that enables computers to learn from data and improve their performance over time. Deep learning (“DL”) is a subset of machine learning that focuses on building and training multi-layered neural networks to learn more complex patterns and make intelligent decisions on their own. It is a rapidly growing field that has led to significant advances in areas such as image and speech recognition, natural language processing and autonomous vehicles. Deep learning algorithms are able to process vast amounts of data and find patterns that would be difficult or impossible for a human to recognize. This has led to many practical applications, such as medical image analysis and facial recognition software.

Generative AI

More recently, generative AI has emerged as a category of AI that can generate new data based on the input on which they were trained. What sets generative AI apart from other AI technologies is its ability to generate new data, rather than simply identify or classify existing data. This is accomplished through the use of two neural networks - a generator and a discriminator - to create and evaluate new content, respectively. An example of generative AI is ChatGPT, which can generate human-like responses to text input. In a similar vein, generative chemistry and generative biology applications use generative AI methods to create new chemical compounds or biological molecules with potentially novel applications. Generative AI has tremendous potential in the healthcare and drug discovery and development industries. In healthcare, it can be used to create medical chatbots that provide patients with personalized medical advice and recommendations. This is possible because generative AI models can generate answers to specific natural language questions by training on large-scale language models (“LLMs”). In drug discovery and development, generative AI can revolutionize traditional drug development by identifying previously unconsidered therapeutic target for a disease and generating new drug molecules or biologics with optimized properties for those therapeutic targets. Because of its ability to generate entirely new drug candidates, rather than simply optimizing existing ones, generative AI has great potential as a tool to address unmet medical need.

According to Frost & Sullivan, there are more than ten thousand known rare diseases which affects approximately one in ten people in the U.S. However, according to the U.S. National Institutes of Health
INDUSTRY OVERVIEW

(“NIH”), 95% of rare diseases have no FDA - approved treatment option, highlighting the enormous unmet clinical need for patients. The findings underscore the urgent need for more research and drug discovery and development for rare and other diseases. Generative AI could aid in this regard by analyzing large databases of chemical structures to generate a large selection of virtual molecules with desired properties. This approach can explore chemical space that is not easily accessible to traditional drug discovery methods and thereby provide potentially novel therapeutic solutions for currently untreated diseases.

Generative AI can design, de novo, small molecules and antibodies with optimized properties. It can predict protein structures by screening the proteome to identify successful protein-drug docking interactions and facilitate hit identification. It can also be used for virtual screening, a binding affinity prediction method where AI models are trained on large datasets of known protein-ligand interactions and predict how well a new drug candidate will bind to a target protein. Additionally, it can be used for scaffold hopping, where chemical ensemble-based machine learning identifies sets of molecules that have distinctly different chemical structures but share a particular function of interest.

AI in Drug Discovery and Development

AIDD is a rapidly growing area for pharmaceutical companies. AI can be integrated into the drug discovery process at all stages, from designing new molecules to predicting clinical trial outcomes. Using ML, DL and generative AI and other AI technologies, pharmaceutical companies can reduce the time and resources required for drug discovery and development while improving the success rate of clinical trials. In particular, generative AI has the potential to revolutionize drug discovery by enabling scientists to generate novel molecules for previously undruggable targets, potentially opening up new avenues for drug development.

AIDD Development Timeline

The concept of generative models has been around for over a century, but it has only been in the last decade or so that advances in deep learning and neural network architectures have brought it into practical use. In the early 1990s, breakthroughs in basic AI research led to various practical applications such as ImageNet, GANs, transformers and other advanced neural network structures over the next two decades. Since then, the possibility of applying AI technology to drug discovery has been intensively explored and has attracted massive market attention.

Generative AI have been applied to a wide range of applications, including image and text generation and molecular discovery. One of the key advantages of generative AI is its ability to generate large amounts of data that can be used to train and test other AI models. This is particularly useful in areas where data is scarce or expensive to obtain, such as medical research and drug discovery.

<table>
<thead>
<tr>
<th>Timeline and Breakthroughs in AI-Based Drug Discovery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1990-2010s</strong></td>
</tr>
<tr>
<td>Fundamental breakthroughs in AI theory such as in DL and NLP</td>
</tr>
<tr>
<td>1990:</td>
</tr>
</tbody>
</table>
| IBM Watson released a cognitive computing platform that matched patients with potential clinical trials and increased clinical trial enrollment by 80% | IBM Watson released the first paper, indicates AI technology can reduce drug development costs, shorten drug discovery time, and improve compound quality | \n
**2019**: Improved Quality

**2020-2021**: Rapid Expansion

**2022**: Continuous Progress

- Jul 2022: DeepMind’s AlphaFold became capable of predicting the 3D structure of all cataloged proteins
- Dec 2021: The industry’s first clinical stage AI-generated novel molecule for an AI-discovered novel target was achieved by Insilico Medicine
- Sep 2020: Aladdin develops platform for early diagnosis of Alzheimer’s disease
- Sep 2018: Insilico Medicine published the first active de novo drug candidate in vivo using AI system Generative Tensorial Reinforcement Learning (‘GENTRL’), which delivered a lead compound against fibrosis in 46 days
- Mar 2018: IBM Watson released a cognitive computing platform that matched patients with potential clinical trials and increased clinical trial enrollment by 80%
- Dec 2016: Insilico Medicine published the first paper, indicates AI technology can reduce drug development costs, shorten drug discovery time, and improve compound quality
- 2015: GANs and advanced NN structures
- Dec 2012: Advances in image recognition AI and the rise of practical DL
- 1990: Fundamental breakthroughs in AI theory such as in DL and NLP

Source: Frost & Sullivan Report
Application of AI for Drug Discovery to Address Pharmaceutical R&D Productivity Challenges

AI can be applied at various stages of the R&D process, improving efficiency in early-stage discovery by analyzing vast amounts of data to generate novel insights. With the continual advancement of AI algorithms, AI also increases the accuracy of identifying new and better drug candidates, optimized for their pharmacological properties and facilitates the discovery of new biomarkers and therapeutic targets, by allowing for, among other considerations, better visualization of the structural characteristics of proteins. These upstream decisions could play a role in improving the success rate of drug discovery and development. The use of AI in analyzing clinical trials contributes to optimizing clinical trial design and the probability of success. In addition, AI techniques can help predict the results of clinical trials, leading to increased drug approval likelihood and reduced costs, which in turn leads to additional funding for the development of new treatments.

Key Advantages of AI-Based Drug Discovery

Drug discovery is a complex process involves several stages, as shown below. The entire process is time-consuming, resource-intensive and fraught with error. Compared to traditional drug development methods, AIDD methods have the potential to accelerate the process and discover drug targets in a more cost-efficient manner. The chart below illustrates the relative advantages of AIDD method over traditional drug discovery method for small molecule drugs through lead compound discovery.
### INDUSTRY OVERVIEW

<table>
<thead>
<tr>
<th>Disease Hypothesis</th>
<th>Target Identification</th>
<th>Hit to Lead</th>
<th>Lead Optimization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>• Potential drug targets are identified through disease mechanisms and biological pathways</td>
<td>• The selected target is validated to confirm its role in the disease</td>
<td>• Discover and identify small molecule or compounds interacting with the target that has the potential to lead to a therapeutic effect</td>
</tr>
<tr>
<td><strong>Traditional Method</strong></td>
<td>• Requires a long time to identify the molecular mechanisms of diseases</td>
<td>• Diseases are often multifactorial, thus challenging to identify a single molecular target</td>
<td>• Limited number of molecules that can be feasibly tested across drug properties with traditional methods</td>
</tr>
<tr>
<td><strong>Computational Powered Method</strong></td>
<td>• Involving an entire multiscale analysis of genomics, metabolomics and proteomics relevant to the disease of interest</td>
<td>• Leverage analytical platforms and omics databases containing biological information</td>
<td>• Through a combination of free energy perturbation (FEP) calculations and automated ideation</td>
</tr>
<tr>
<td><strong>Machine Learning</strong></td>
<td>• Natural Language Processing and text mining algorithms to analyze literature</td>
<td>• Train druggability models to predict druggable targets</td>
<td>• Use &quot;design layer&quot;/random forest regression algorithms to create new biologically active chemical space</td>
</tr>
<tr>
<td><strong>Deep Learning</strong></td>
<td>• Convolutional Neural Network (&quot;CNN&quot;) - based methods have been extensively used in biomedical data for finding disease mechanism</td>
<td>• Deep learning has shown considerable capability in pose/affinity prediction and active/inactive detection of drug-target complexes</td>
<td>• Sample the entire chemical space</td>
</tr>
<tr>
<td><strong>Generative AI</strong></td>
<td>• Automatically learn from a knowledge graph that encodes a multitude of data about biology to predict properties of genes or to infer gene–disease associations</td>
<td>• Generate molecules with specific binding properties to a particular protein</td>
<td>• By generating new molecules optimized for potency, selectivity and bioavailability</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

Once a lead compound has been identified, the drug candidate still has to undergo preclinical and clinical research before potential regulatory approval. Preclinical and clinical research is typically considered resource-intensive and inefficient. Applying AI to the preclinical and clinical research process could bring significant efficiencies to the preclinical research stage by enabling the use of predictive models to evaluate the safety and efficacy of lead compounds without the need for animal testing. In the clinical research phase, the application of AI could improve trial design by deriving best practices from past clinical trials and improve resource allocation by identifying the programs most likely to succeed.

The application of AI can enhance the predictive accuracy in drug discovery and improve the success rate of first-in-class drug R&D. On average, for first-in-class drug R&D programs, AIDD can save time and cost in PCC and clinical research stages compared with traditional methods, increasing efficiency and bringing more business and profits to pharmaceutical companies.

### Current Status of AIDD

#### Long-term Paradigm Shift

The trend of declining IRR within the pharmaceutical industry has led to a paradigm shift in which pharmaceutical companies are turning to AIDD companies to improve their drug discovery and development efficiency. This growing trend is being driven by advances in computational capabilities, better gene and protein characterization and examples of successful AIDD drug development partnerships. The need for more productive R&D and greater innovation offered by AI technologies fits well with the current needs of pharmaceutical companies and the AI partnership strategy has attracted the attention of pharmaceutical companies and investors alike. Top pharmaceutical MNCs are now competing for AI drug discovery and development expertise, talent and partnerships. This is reflected in the growing number of partnerships between large pharmaceutical companies and AIDD companies, which have grown from 18 new partnership agreements in 2017 to 66 new partnership agreements in 2022, at a CAGR of 29.7%.
Industry Overview

In recent years, pharmaceutical companies worldwide have increased the number of AI partnerships into which they have entered. The table below provides an overview of AI partnership engagement among these companies.

### Global Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Janssen</th>
<th>Pfizer</th>
<th>Sanofi</th>
<th>GSK</th>
<th>Novartis</th>
<th>Roche</th>
<th>Bristol Myers Squibb</th>
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<tbody>
<tr>
<td><strong>AI Partners</strong></td>
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<tr>
<td><strong>Collaboration Deals Highlights</strong></td>
<td>Janssen &amp; Insilico:</td>
<td>Design small molecule hits</td>
<td>Sanofi &amp; Insilico:</td>
<td>Pfizer &amp; CytoReason:</td>
<td>Pfizer provides up to $20 million investment</td>
<td>Insilico Medicine &amp; Bensci:</td>
<td>Insilico Medicine &amp; Bensci:</td>
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**Chinese Companies**

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<thead>
<tr>
<th>Company</th>
<th>Fosun</th>
<th>Sino Biopharm</th>
<th>Huadong Medicine</th>
<th>Hengrui Pharma</th>
<th>Hansoh Pharma</th>
<th>Nhwa Pharma</th>
<th>United Laboratories</th>
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<tr>
<td><strong>AI Partners</strong></td>
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<tr>
<td><strong>Year of Earliest Partnership</strong></td>
<td>2019</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2019</td>
<td>2022</td>
<td>2022</td>
</tr>
<tr>
<td><strong>Collaboration Deals Highlights</strong></td>
<td>Janssen &amp; Insilico:</td>
<td>Design small molecule hits</td>
<td>Insilico Medicine &amp; XtalPi:</td>
<td>Pfizer &amp; CytoReason:</td>
<td>Insilico Medicine &amp; XtalPi:</td>
<td>Insilico Medicine &amp; XtalPi:</td>
<td>Insilico Medicine &amp; XtalPi:</td>
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Source: Frost & Sullivan Analysis

### Short-term Industry Consolidation

Despite the long-term trend toward adoption of AIDD and the rapid evolution of AIDD technology, the industry has recently undergone a wave of consolidation. This is due to large technology and pharmaceutical companies increasing their investments in the AIDD industry. As a result, the pace of acquisitions in the industry has accelerated and competition among AIDD companies has intensified. As a result, some AIDD companies are making layoffs to cut costs in this highly competitive environment or even exiting the industry altogether. Some other AIDD companies, on the other hand, are acquiring or merging with other AIDD companies to strengthen their own position or achieve greater scale to ride out the wave of consolidation. This industry movement shows that the AIDD market is beginning to mature, with increased competition and industry consolidation. The AIDD companies that survive this wave of consolidation will demonstrate that they have better AI technology and business fundamentals and will enjoy greater growth potential.

### The Future Potential of AIDD

Small molecule drugs are currently the largest class of drugs, accounting for 76% of the $1.4 trillion global pharmaceutical market by 2021, according to Frost & Sullivan. Small molecule drugs have distinct advantages over other therapeutic options, such as the ability to achieve intracellular activation or inhibition or the ability to easily cross the blood-brain barrier. However, despite the enormous size of the small molecule market, there is still a large unmet medical need for new treatment options worldwide. For example, in 2021, approximately one in ten people in the U.S. suffer from a rare disease, yet only 5% of rare diseases have an FDA-approved treatment option, according to Frost & Sullivan.

To address this problem, the pharmaceutical industry is increasingly turning to the efficiencies of AIDD to develop small molecule drugs, particularly novel small molecules drugs, to address unmet clinical needs.
needs. According to Frost & Sullivan, AIDD’s share of the small molecule market is likely to increase due to the following factors.

- **Accelerating demand for drug innovation.** AI is increasingly being used in small-molecule drug discovery and development due to its ability to process large amounts of complex data in shorter periods of time and to generate novel molecules against previously undruggable targets. With advances in deep learning, neural networks, and GANs, AI can now perform complex tasks such as predicting protein structure and pharmacological properties and generating novel targets and small molecules. Performing these tasks in the virtual space (i.e., *in silico*) saves time and resources, reducing the need for wet lab experiments and other resource-intensive methods. As the need for drug innovation in the small molecule market continues to accelerate, the use of AIDD to harness its power in drug innovation is expected to continue to grow.

- **Increasing sophistication of AIDD platforms.** Advanced technologies, such as quantum computing and machine learning architectures, have the potential to increase the power of AIDD platforms. For example, quantum computing could provide significantly more computing power to simulate larger and more complex molecules, leading to more accurate predictions. In addition, improvements in machine learning architectures, such as transformers, could greatly enhance small molecule drug design capabilities of AIDD platforms by allowing them to predict which compounds are most likely to be effective against specific diseases, leading to more efficient and effective drug discovery.

- **Increasing commitment from traditional pharmaceutical industry.** Increased interest from traditional pharmaceutical companies in AIDD is driving investment and collaboration in the AIDD industry. Traditional pharmaceutical companies are deepening their partnerships with leading AIDD companies to integrate AI technology into their small molecule drug discovery and development process, and to build in-house capabilities by investing in AI research and development. As the benefits of AI integration become more apparent, the demand for AIDD solutions is expected to continue to grow.

- **Supportive regulatory framework.** Various policies have been enacted to promote AIDD, including the Digital Health Innovation Action Plan in the U.S. and the Draft Guidelines for the Regulation of Model-based Drug Research and Development in China. These policies have encouraged biopharmaceutical companies to shift their focus from me-too or me-better drugs to innovative drug discovery. In addition, governments around the world are implementing reform policies to reduce generic drug profit margins and accelerate drug approval systems, creating a more favorable environment for biopharmaceutical companies to invest in innovative drug research and development. This supportive regulatory framework is a growth factor for AI drug discovery and development.
INDUSTRY OVERVIEW

Competitive Landscape of Leading Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Target Discovery</th>
<th>Molecule Generation</th>
<th>AI Platform</th>
<th>Pipeline*</th>
<th>Novelty of Targets</th>
<th>AI Technology</th>
<th>Lead Asset Phase I Duration</th>
<th>Focus Areas</th>
<th>Scientific Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>N/A</td>
<td>(Commercially Available)</td>
<td>N/A</td>
<td>N/A</td>
<td>1 Ph2 1 Ph1 10 PCCs</td>
<td>Mostly novel targets</td>
<td>Machine Learning/ Deep Learning</td>
<td>12 months</td>
<td>Fibrosis Oncology Immunology Over 200 peer-reviewed publications</td>
</tr>
<tr>
<td>Company B</td>
<td>N/A</td>
<td>(Commercially Available)</td>
<td>N/A</td>
<td>N/A</td>
<td>1 Ph1 2 PCCs</td>
<td>Well studied targets</td>
<td>N/A</td>
<td>Oncology</td>
<td>Several presentations at conferences and symposiums</td>
</tr>
<tr>
<td>Company C</td>
<td>N/A</td>
<td>(Commercially Available)</td>
<td>N/A</td>
<td>N/A</td>
<td>3 Ph2 2 Ph1 1 PCCs</td>
<td>2 novel targets</td>
<td>N/A</td>
<td>Oncology Immunology Rare Diseases</td>
<td>Several publications and posters as well as open datasets</td>
</tr>
<tr>
<td>Company D</td>
<td>N/A</td>
<td>(Commercially Available)</td>
<td>N/A</td>
<td>N/A</td>
<td>1 Ph1 &gt;1 PCCs</td>
<td>Well studied targets</td>
<td>N/A</td>
<td>Oncology</td>
<td>Over 20 publications</td>
</tr>
<tr>
<td>Company E</td>
<td>N/A</td>
<td>(Commercially Available)</td>
<td>N/A</td>
<td>N/A</td>
<td>1 Ph2** 3 PCCs</td>
<td>1 novel target</td>
<td>N/A</td>
<td>Oncology Immunology Neuro Disease</td>
<td>Over 30 publications</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

Notes:

(1) *The chart includes only assets in each company’s independent drug discovery and development pipeline and excludes drug assets that are out-licensed.
(2) **Phase II terminated

MARKET OPPORTUNITIES OF CERTAIN THERAPEUTIC AREAS

IPF Drug Market

Fibrosis is a pathological feature of many chronic inflammatory diseases that refers to the scarring and hardening of tissues and organs. It is caused by the accumulation of excess extracellular matrix components, particularly collagen. Fibrosis can affect most tissues in the body and, as it progresses, can lead to organ dysfunction and death. Predisposing factors for IPF include age, smoking, occupation (mining, farming and construction) and undergoing cancer treatment. Unfortunately, there is a lack of treatment strategies that target the pathogenesis of fibrosis, making fibrogenesis a major cause of morbidity and death.

IPF is a chronic disease that causes scarring of the lungs, making it increasingly difficult to breathe as the lungs lose their elasticity. IPF is most commonly diagnosed in people over the age of 65 with a medium overall survival of only two to three years from diagnosis. While several treatments can help slow the progression of IPF, there is currently no treatment that can stop or reverse the scarring of the lungs in the late stages of the disease or increase survival of patients.

Incidence of IPF

According to Frost & Sullivan, the incidence of IPF worldwide increased from 534.3 thousand in 2017 to 575.1 thousand in 2021, at a CAGR of 1.9%. This is due to the increasing rate of aging populations, increasing awareness and diagnosis of this life-threatening condition and the prevalence unhealthy lifestyles. The number of new cases is expected to continue increasing to 619.3 thousand in 2025 and to 685.2 thousand in 2030, with a CAGR of 1.9% and 2.0%, respectively, according to Frost & Sullivan.
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Unmet Clinical Need for IPF

Despite the significant disease burden associated with IPF, there is poor awareness in the public and patients often do not receive an accurate diagnosis until the disease has progressed, limiting treatment of IPF. Although several treatments are available to slow the progression of IPF or treat the symptoms, there is currently no disease-modifying therapy based on treatment guidelines, according to Frost & Sullivan.

Accurate identification of a patient with IPF is based on physical examination, medical history evaluation and evaluation using strict radiologic and histopathologic criteria. However, concerns about pneumocentesis, unclear histories in the elderly and lack of training in IPF diagnosis complicate the diagnosis of IPF in China.

IPF has a five-year survival rate of 20-40% in most published studies, which is worse than many other malignancies. This high mortality rate underscores the urgent need for increased attention, research and resources to improve the diagnosis and treatment of IPF. Given the lack of effective treatment and the existence of unmet clinical needs, it is essential to prioritize the development of new therapeutic options that address the underlying causes of the disease to improve the lives of those affected by IPF.

Size of the IPF Drug Market

Currently, there are only two drugs approved worldwide for the treatment of IPF, pirfenidone and nintedanib, both initially approved in 2014. Both are available in the US, EU and China. According to Frost & Sullivan, the global IPF drug market grew from US$1.7 billion in 2017 to US$3.3 billion in 2021, a CAGR of 17.4%. It is expected to reach US$5.0 billion by 2025 and US$7.1 billion by 2030, representing CAGRs of 11.1% and 7.3%, respectively.

<table>
<thead>
<tr>
<th>Period</th>
<th>CAGR</th>
<th>US</th>
<th>China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2021</td>
<td>15.1%</td>
<td>49.7%</td>
<td>17.4%</td>
<td></td>
</tr>
<tr>
<td>2021-2025E</td>
<td>11.2%</td>
<td>34.5%</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>2025E-2030E</td>
<td>5.9%</td>
<td>17.4%</td>
<td>7.3%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

Competitive Landscape of the IPF Drug Market

Although currently available drug treatments for IPF are extremely limited, numerous drugs are currently in clinical trials for the treatment of IPF. These drugs use a variety of mechanisms of action and treatment modalities.
INDUSTRY OVERVIEW

Global Competitive Landscape for IPF

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Company</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>INS018_055</td>
<td>Insilico Medicine</td>
<td>IPF</td>
<td>TNIK</td>
<td>Phase IIa</td>
<td>2023-04</td>
<td>Not Yet Recruiting</td>
<td>60</td>
</tr>
<tr>
<td>BI 1015550</td>
<td>Boehringer Ingelheim</td>
<td>IPF</td>
<td>PDE4B</td>
<td>Phase III</td>
<td>2022-09</td>
<td>Recruiting</td>
<td>963</td>
</tr>
<tr>
<td>Lansoprazole</td>
<td>Norfolk and Norwich University Hospitals NHS Foundation Trust, Norwich Clinical Trials Unit</td>
<td>IPF</td>
<td>H+/K+ ATPase</td>
<td>Phase III</td>
<td>2021-06</td>
<td>Recruiting</td>
<td>298</td>
</tr>
<tr>
<td>HZN-825</td>
<td>Horizon Therapeutics Ireland DAC</td>
<td>IPF</td>
<td>LPA-1 receptor</td>
<td>Phase II</td>
<td>2021-08</td>
<td>Recruiting</td>
<td>135</td>
</tr>
<tr>
<td>HEC585</td>
<td>Sunshine Lake Pharma Co., Ltd.</td>
<td>IPF</td>
<td>TGFβR1</td>
<td>Phase II</td>
<td>2021-06</td>
<td>Recruiting</td>
<td>270</td>
</tr>
<tr>
<td>PLN-74809</td>
<td>Plant Therapeutics, Inc.</td>
<td>IPF</td>
<td>Integrin avb1 Integrin avb6</td>
<td>Phase II</td>
<td>2020-03</td>
<td>Completed</td>
<td>120</td>
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<tr>
<td>ZISP1603</td>
<td>Guangdong Rayonvent Biotech Co., Ltd</td>
<td>IPF</td>
<td>pHPFs</td>
<td>Phase III</td>
<td>2021-10</td>
<td>Recruiting</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Clinicaltrials.gov, Frost & Sullivan Report
Note: Novel targets includes targets with less than ten cumulative pipeline candidates that has undergone clinical trials

Growth Drivers of the Global IPF Drug Market

According to Frost & Sullivan, the growth of the global IPF Drug Market is expected to be driven by the following factors:

- **Increasing incidence and prevalence of IPF patients.** The incidence and prevalence of IPF are increasing worldwide. In North America, adjusted prevalence rates range from 2.40 to 2.98 per 10,000 persons. Risk factors for IPF include age, smoking, race, body mass index, exposure to particulate matter, working around livestock and genetic predisposition. Although once considered a rare disease, IPF may soon lose that distinction.

- **Improvement in IPF diagnosis.** IPF is a chronic and progressive lung disease that often goes undiagnosed or misdiagnosed for years. However, with advances in diagnostic technologies and increased awareness of IPF, there has been a significant improvement in early diagnosis. This has created a higher demand for effective IPF drugs and therapies, thus increasing the development of the IPF drug market.

- **Government support for drugs targeting orphan disease.** Government support for orphan drugs has been established in both the United States and the European Union. The Orphan Drug Act in the United States and similar legislation in the EU encourage research into orphan drugs for rare diseases. Approximately 800 orphan drugs have been approved by the European Medicines Agency and the FDA for the treatment of rare diseases. IPF is an orphan disease under the Orphan Drug Act, making efforts to develop a drug for IPF eligible for favorable government support, such as market exclusivity and tax incentives.

- **Potential for IPF drugs with greater therapeutic benefits.** Although many therapies have only been shown to slow the decline in lung function, recent evidence suggests that fibrosis may be reversible. In mouse models, inhibition of a microRNA called miR-33 successfully reversed fibrosis. As research into reversing fibrosis continues, the efficacy of drugs to treat IPF is expected to increase significantly, driving industry growth.
Kidney Fibrosis Drug Market

Kidney fibrosis is a common and serious consequence of chronic kidney disease (“CKD”). Kidney fibrosis is a failed wound-healing process of kidney tissue following chronic injury in CKD, a condition characterized by progressive loss of kidney function and can be caused by common conditions such as diabetes, hypertension, interstitial nephritis and kidney stones. It occurs when the kidneys are unable to repair themselves adequately, resulting in the formation of scar tissue that replaces healthy tissue. Kidney fibrosis leads to irreversible scarring, loss of kidney function and ultimately end-stage renal disease (“ESRD”), which can only be treated with dialysis or kidney transplantation. Therefore, it is crucial to identify strategies to prevent or slow down kidney fibrosis in order to preserve kidney function and prevent the development of ESRD.

Global Prevalence of Kidney Fibrosis

The global prevalence of kidney fibrosis has reached 616.1 thousand in 2021, and it is expected to increase to 707.6 thousand in 2025 and 814.3 thousand in 2030, with a CAGR of 3.5% and 2.8%, respectively, according to Frost & Sullivan.

Treatment Options for Kidney Fibrosis

Currently, there are no effective therapies to prevent or slow the progression of kidney fibrosis. The standard renoprotective therapy, blockade of the renin-angiotensin-aldosterone system (“RAAS”), reduces the risk of progression by only 20%. There are several barriers to the clinical translation of renal fibrosis drugs. One major reason is the low tolerability of side effects in CKD patients. Many targets for kidney fibrosis are involved in physiological functions that could lead to side effects, making them unsuitable for the treatment of kidney fibrosis. Another obstacle is the limited relevance between animal models and patients. Most animal models are induced in young and healthy animals, while most renal patients are middle-aged or elderly and often have comorbidities, making target validation difficult.

TGF-ß is a promising therapeutic target because it exerts both pro-fibrotic and anti-inflammatory effects. However, indiscriminate complete blockade of TGF-ß function may promote inflammation. One possible solution is to target downstream components of the TGF-ß pathway. Researchers have shown that inhibition of certain downstream effector of TGF-ß signaling can reduce kidney fibrosis while minimizing inflammation.

Implications of Fibrosis in Cancer

Fibrosis is a hallmark of up to 20% of cancers, including hepatocellular, gastric, esophageal, head and neck, colon, pancreatic, cervical and vulvar cancers, and contributes to its progression in many ways. The fibrous tissue in the tumor microenvironment can cause the surrounding extracellular matrix to stiffen, forming a protective sheath around the tumor and compromising anti-tumor immunity. The degree of tissue fibrosis and the stiffness of the surrounding tissue are associated with tumor aggressiveness and poor patient prognosis. Fibrosis can also activate many signaling pathways that promote tumor growth and survival, contributing to cancer progression. For example, TGF-ß is upregulated and activated in fibrotic diseases. As a tumor promoter, it enhances cell proliferation and metastasis and suppresses immune surveillance. A stiff ECM also activates ERK and PI3K in tumor cells, leading to cancer cell invasion and metastasis. Anti-fibrotic drugs therefore have the potential to treat cancer by breaking down the fibrous capsule around the tumor and inhibiting the ECM-activated signaling pathways that promote cancer growth and spread.

USP1 Inhibitor Drug Market

The role of USP1 in DNA damage repair and its high expression in cancer cells make it an attractive target for cancer therapy. Inhibition of USP1 can induce replication fork instability and increase the sensitivity of cancer cells to apoptosis, making it a potential therapeutic strategy for cancer treatment. This approach may be particularly effective in BRCA1-deficient cells, where USP1 is essential for stabilizing the replication fork and forms an synthetically lethal pair with BRCA1.
**INDUSTRY OVERVIEW**

**BRCA-mutant Cancers**

BRCA1 and BRCA2 are known as tumor suppressor genes, which play a critical role in maintaining the stability of the genetic material in cells. These genes produce proteins that help repair damaged DNA, which helps prevent the development of cancer. However, when harmful variants or mutations occur in these genes, the proteins produced are unable to repair DNA damage effectively, leading to an increased risk of cancer.

Individuals who inherit a harmful variant in one of these genes have an increased risk of developing certain types of cancer, including breast, ovarian, prostate and pancreatic cancers. In particular, women who inherit a harmful BRCA1 or BRCA2 variant have up to an 80% risk of developing breast cancer in their lifetime, according to F&S. Men with a harmful BRCA2 variant also have an increased risk of developing breast cancer.

Treatment options for BRCA-mutated cancers include synthetic lethality drugs, such as PARP inhibitors. These drugs are designed to take advantage of a specific weakness in BRCA-mutant cells that makes them more susceptible to damage from PARP inhibitors than non-mutant cells. However, some patients may develop resistance to PARP inhibitors over time. Recent studies have shown that resistance to PARP inhibitors may be overcome by the use of USP1 inhibitors. USP1 inhibitors work by blocking a protein that helps cancer cells repair DNA damage, making them more vulnerable to PARP inhibitors.

**Market Size of USP1 Inhibitors**

**Global Incidence of Potential ISM3091 Indications**

The incidence rate of cancer is increasing for each type of cancer potentially treatable by ISM3091. Among them, breast cancer accounted for the highest percentage of total cancer incidence, followed by prostate cancer.

**Breakdown of Global Incidence of Potential ISM3091 Indications, 2017-2030E**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ovarian Cancer</th>
<th>Pancreatic Cancer</th>
<th>Prostate Cancer</th>
<th>Breast Cancer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.02</td>
<td>0.29</td>
<td>0.30</td>
<td>0.50</td>
<td>5.02</td>
</tr>
<tr>
<td>2018</td>
<td>4.12</td>
<td>0.30</td>
<td>0.30</td>
<td>0.51</td>
<td>5.01</td>
</tr>
<tr>
<td>2019</td>
<td>4.22</td>
<td>0.31</td>
<td>0.31</td>
<td>0.52</td>
<td>5.04</td>
</tr>
<tr>
<td>2020</td>
<td>4.49</td>
<td>0.32</td>
<td>0.33</td>
<td>0.54</td>
<td>5.08</td>
</tr>
<tr>
<td>2021</td>
<td>4.58</td>
<td>0.33</td>
<td>0.34</td>
<td>0.55</td>
<td>5.10</td>
</tr>
<tr>
<td>2022E</td>
<td>4.68</td>
<td>0.34</td>
<td>0.34</td>
<td>0.56</td>
<td>5.12</td>
</tr>
<tr>
<td>2023E</td>
<td>4.77</td>
<td>0.35</td>
<td>0.35</td>
<td>0.58</td>
<td>5.15</td>
</tr>
<tr>
<td>2024E</td>
<td>4.89</td>
<td>0.36</td>
<td>0.36</td>
<td>0.59</td>
<td>5.16</td>
</tr>
<tr>
<td>2025E</td>
<td>5.08</td>
<td>0.36</td>
<td>0.36</td>
<td>0.61</td>
<td>5.19</td>
</tr>
<tr>
<td>2026E</td>
<td>5.18</td>
<td>0.36</td>
<td>0.36</td>
<td>0.62</td>
<td>5.20</td>
</tr>
<tr>
<td>2027E</td>
<td>5.29</td>
<td>0.37</td>
<td>0.37</td>
<td>0.62</td>
<td>5.29</td>
</tr>
<tr>
<td>2028E</td>
<td>5.39</td>
<td>0.37</td>
<td>0.37</td>
<td>0.64</td>
<td>5.36</td>
</tr>
<tr>
<td>2029E</td>
<td>5.50</td>
<td>0.37</td>
<td>0.37</td>
<td>0.64</td>
<td>5.38</td>
</tr>
<tr>
<td>2030E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

Note: Cancer incidence reflects the overall incidence of the listed potential indications and is not specific to the cancer population corresponding to USP1 inhibitor drugs unless otherwise indicated

**Competitive Landscape of USP1 Inhibitors**

USP1 is upregulated in several BRCA1-deficient tumor types, making it a promising target for cancer therapy. There is one ongoing Phase I clinical trial targeting USP1 for the treatment of advanced solid
tumors and two preclinical compounds in development. The table below illustrate the USP1 inhibitor compounds currently in development.

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Sponsor</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSQ-4279</td>
<td>KSQ Therapeutics, Inc.</td>
<td>Advanced Solid Tumors</td>
<td>USP1</td>
<td>Phase I</td>
<td>2022-02</td>
<td>Recruiting</td>
<td>140</td>
</tr>
<tr>
<td>ISM3091</td>
<td>Insilico Medicine</td>
<td>RCA-mutant Cancer</td>
<td>USP1</td>
<td>Phase I</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TNG348</td>
<td>Tango therapeutics, Medivir</td>
<td>Advanced Solid Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>LAE120</td>
<td>Laekna LLC</td>
<td>Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SP-002</td>
<td>Simcere Pharmaceutical</td>
<td>Breast Cancer</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>USP1 inhibitor</td>
<td>Impact therapeutics</td>
<td>Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>FT-3171</td>
<td>FORMA Therapeutics, Novo Nordisk, Debiopharm</td>
<td>Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>USP1 inhibitor</td>
<td>Ubiquigent Limited</td>
<td>Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AT-012</td>
<td>Asieris Pharmaceuticals</td>
<td>Tumors</td>
<td>USP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: Clinicaltrials.gov, Frost & Sullivan Report

### 3CL\textsubscript{pro}/M\textsubscript{pro} Inhibitor Drug Market

Drug development against SARS-CoV-2 has focused on blocking the spike protein from binding to ACE2, inhibiting viral membrane fusion with host cells, and preventing viral replication by targeting the 3C-like protease, also known as the main protease ("3CL\textsubscript{pro}/M\textsubscript{pro}"). and RNA-dependent RNA polymerase ("RdRp"). 3CL\textsubscript{pro}/M\textsubscript{pro} is critical for the translation of the virus and there are several types of 3CL\textsubscript{pro}/M\textsubscript{pro} inhibitors including peptidomimetic covalent inhibitors, non-peptidomimetic covalent inhibitors and small molecule non-covalent inhibitors. Paxlovid is a 3CL\textsubscript{pro}/M\textsubscript{pro} inhibitor approved by the FDA for emergency use that has brought in a total revenue of US$19 billion in 2022, according to Frost & Sullivan. Despite its commercial success, Paxlovid has issues such as CYP3A inhibition, which may cause drug interactions and limit its use in some patients, a complex drug synthesis process that may pose challenges for mass production and limited evidence of its efficacy against emerging SARS-CoV-2 variants. As a result, there remains a need for the development of 3CL\textsubscript{pro}/M\textsubscript{pro} inhibitors that can overcome these limitations and provide a more comprehensive approach to the treatment of COVID-19.

RdRp is another critical viral enzyme that assists in the translation and replication of SARS-CoV-2. There are two ways to inhibit RdRp: inserting a nucleotide not recognized by RdRp and blocking the entry of viral RNA into the active site of RdRp. Remdesivir and molnupiravir are popular RdRp inhibitors, but there are concerns about the potential adverse effects of molnupiravir on bone and cartilage growth.
INDUSTRY OVERVIEW

The table below illustrates the competitive landscape of $3\text{CL}_{\text{pro}}/\text{M}_{\text{pro}}$ inhibitors in China.

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Company</th>
<th>Target Site</th>
<th>Listing Time / Phases of Clinical Trials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leritrelvir</td>
<td>Raynovent</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>2023-03</td>
</tr>
<tr>
<td>Simnotrelvir/Ritonavir</td>
<td>Sincere Pharmaceutical</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}},\text{CYP3A}$</td>
<td>2023-01</td>
</tr>
<tr>
<td>Ensitrelvir</td>
<td>Shionogi</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>2022-11</td>
</tr>
<tr>
<td>Nirmatrelvir/Ritonavir</td>
<td>Pfizer</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}},\text{CYP3A}$</td>
<td>2021-12</td>
</tr>
<tr>
<td>STI-1558</td>
<td>Zhejiang ACEA Pharmaceutical</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase III</td>
</tr>
<tr>
<td>RAY1216</td>
<td>Guangdong Raynovent Biotech</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase III</td>
</tr>
<tr>
<td>QL51128</td>
<td>Qilu Pharmaceutical Co Ltd</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase III</td>
</tr>
<tr>
<td>SIM0417</td>
<td>Sincere Pharmaceutical</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}},\text{CYP3A}$</td>
<td>Phase II/Phase III</td>
</tr>
<tr>
<td>FB2001</td>
<td>Frontier Biotechnologies</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase II/Phase III</td>
</tr>
<tr>
<td>GST-HG171/Ritonavir</td>
<td>Fujian Cosunter Pharmaceutical</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}},\text{CYP3A}$</td>
<td>Phase II/Phase III</td>
</tr>
<tr>
<td>GS221</td>
<td>Grand Pharaceutical Group Ltd</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase II</td>
</tr>
<tr>
<td>HS-10517</td>
<td>Jiangsu Hansoh</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase II/Phase II</td>
</tr>
<tr>
<td>ISM3312</td>
<td>Insilico Medicine</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase I</td>
</tr>
<tr>
<td>ASC11</td>
<td>Ascleits Pharmaceuticals</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase I</td>
</tr>
<tr>
<td>SYH2055</td>
<td>CSPC Pharmaceutical Group Ltd</td>
<td>$3\text{CL}<em>{\text{pro}}/\text{M}</em>{\text{pro}}$</td>
<td>Phase I</td>
</tr>
<tr>
<td>SAL0133</td>
<td>Salubris Pharmaceuticals</td>
<td>$3\text{CL}/\text{M}_{\text{pro}}$</td>
<td>Phase I</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

QPCTL Inhibitor Drug Market

CD47 is a protein molecule expressed on the surface of tumor cells and red blood cells. Through the CD47-SIRP$\alpha$ signaling pathway, tumor cells can activate the downstream pathway of macrophages, inhibit rearrangement of the macrophage cytoskeleton, inhibit macrophage phagocytosis of tumor cells and escape the innate immune system. However, many clinical trials of CD47 antibodies have been put on hold due to the safety challenges of CD47 antibody development. A major concern with anti-CD47 therapies is anemia, which can occur as a result of this therapy because CD47 protein is also present on red blood cells and performs important cellular functions. Blocking the CD47 protein can lead to destruction of red blood cells and subsequent anemia. Another problem is the antigen sink effect. Because CD47 protein is present on healthy cells throughout the body, when anti-CD47 therapy is administered, it can bind to these healthy cells, reducing the amount of therapy available to target cancer cells.

QPCTL is a promising new option for targeting the CD47-SIRP$\alpha$ pathway that addresses these concerns. It is a synthetic peptide that has been shown to selectively bind to CD47 and block its interaction with SIRP$\alpha$, resulting in increased phagocytosis of cancer cells. Unlike anti-CD47 therapies, QPCTL binds to the Golgi complex, which is not present on red blood cells. This means that QPCTL therapy can selectively target cancer cells while sparing red blood cells from phagocytosis, thereby reducing the risk of anemia. Furthermore, QPCTL targets a different part of the cancer cell that is not as ubiquitous as CD47, potentially allowing this method to avoid the antigen sink effect exhibited by other anti-CD47 drug candidates.
INDUSTRY OVERVIEW

Global Incidence of Potential ISM8207 Indications

The incidence rate of potential ISM8207 indications are increasing. Among them, breast cancer accounted for the highest percentage of total cancer incidence, followed by colorectal cancer.

Breakdown of Global Incidence of Potential ISM8207 Indications, 2017-2030E

<table>
<thead>
<tr>
<th>Year</th>
<th>Glioblastoma</th>
<th>Melanoma</th>
<th>Triple Negative Breast Cancer</th>
<th>Colorectal Cancer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.15</td>
<td>2.54</td>
<td>0.15</td>
<td>1.75</td>
<td>2.54</td>
</tr>
<tr>
<td>2018</td>
<td>0.29</td>
<td>2.60</td>
<td>0.29</td>
<td>1.80</td>
<td>2.60</td>
</tr>
<tr>
<td>2019</td>
<td>0.36</td>
<td>2.67</td>
<td>0.36</td>
<td>1.88</td>
<td>2.67</td>
</tr>
<tr>
<td>2020</td>
<td>0.37</td>
<td>2.76</td>
<td>0.37</td>
<td>1.93</td>
<td>2.76</td>
</tr>
<tr>
<td>2021</td>
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<td>2.88</td>
<td>0.40</td>
<td>1.98</td>
<td>2.88</td>
</tr>
<tr>
<td>2022</td>
<td>0.41</td>
<td>3.01</td>
<td>0.41</td>
<td>2.03</td>
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</tr>
<tr>
<td>2023</td>
<td>0.42</td>
<td>3.08</td>
<td>0.42</td>
<td>2.08</td>
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</tr>
<tr>
<td>2024</td>
<td>0.43</td>
<td>3.15</td>
<td>0.43</td>
<td>2.13</td>
<td>3.15</td>
</tr>
<tr>
<td>2025</td>
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<td>0.44</td>
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<td>3.21</td>
</tr>
<tr>
<td>2026</td>
<td>0.45</td>
<td>3.28</td>
<td>0.45</td>
<td>2.23</td>
<td>3.28</td>
</tr>
<tr>
<td>2027</td>
<td>0.46</td>
<td>3.35</td>
<td>0.46</td>
<td>2.29</td>
<td>3.35</td>
</tr>
<tr>
<td>2028</td>
<td>0.47</td>
<td>3.42</td>
<td>0.47</td>
<td>2.34</td>
<td>3.42</td>
</tr>
<tr>
<td>2029</td>
<td>0.38</td>
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<tr>
<td>2030</td>
<td>0.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

Note: Cancer incidence reflects the overall incidence of the listed potential indications and is not specific to the cancer population corresponding to QPCTL inhibitor drugs unless otherwise indicated

Competitive Landscape of QPCTL Inhibitors

QPCTL inhibitors act as boosters for cancer immunotherapy by promoting immune-mediated tumor killing and altering the tumor immune microenvironment to boost the patient’s anti-tumor immune activity. Currently, there are two preclinical pipelines targeting QPCTL for cancer treatment as shown below.

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Sponsor</th>
<th>Indication</th>
<th>Phase</th>
<th>Trial Start Date</th>
<th>Trial Status</th>
<th>Expected Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM8207</td>
<td>Insilico Medicine, Fosun Pharma</td>
<td>Immuno-oncology</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>PQ1565</td>
<td>Vivoryon Therapeutics</td>
<td>Cancer</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: Clinicaltrials.gov, Frost & Sullivan Report

PHD1/2 Inhibitor Drug Market

PHD1/2 inhibitors are a class of drugs that work by blocking the activity of PHD1/2, an enzyme involved in the regulation of erythropoietin ("EPO") production in the kidneys. In patients with CKD, the kidneys are often unable to produce sufficient amounts of EPO, resulting in anemia. PHD1/2 inhibitors have been shown to increase EPO production in patients with CKD, potentially helping to alleviate anemia. There have been promising results from clinical trials of PHD1/2 inhibitors in anemia of CKD, showing that these drugs can lead to improved hemoglobin levels and reduced need for blood transfusions. Overall, PHD1/2 inhibitors represent a potential new approach to treating anemia in patients with CKD, and ongoing research is evaluating their safety and efficacy in this setting.
INDUSTRY OVERVIEW

In addition to their potential use in the treatment of anemia in CKD, PHD1/2 inhibitors have also been investigated as a potential treatment for inflammatory bowel disease ("IBD"). In IBD, inflammation in the gut can lead to tissue damage and impaired oxygen delivery, which may contribute to disease progression. PHD1/2 inhibitors have been shown to reduce inflammation in animal models of IBD, possibly by increasing the production of anti-inflammatory cytokines.

Potential Indications of PHD1/2 Inhibitors

Anemia of Chronic Kidney Disease

Anemia of CKD is a common complication of kidney disease that results in a deficiency of erythropoietin ("EPO"), which is needed to produce red blood cells. CKD combined with inflammation and secondary hyperparathyroidism can exacerbate its progression. Anemia is less common in the early stages of CKD, but becomes more common as the disease progresses and more kidney function is lost. More than one in seven people with CKD have anemia, and there is an association between anemia in CKD and diabetes. Patients with CKD may have dystrophic anemia, hemolytic anemia, hemorrhagic anemia, and hematologic system tumors caused by anemia, and the diagnosis is clinically complicated and requires systematic evaluation and standardized testing.

Current treatments focus on correction of iron deficiency and administration of EPO, which may not always improve quality of life or increase renal survival. There is a need for significant advances in novel drugs to treat anemia in CKD and improve patients’ quality of life and prolong survival.

Inflammatory Bowel Disease

IBD is a chronic disease caused by a combination of genetic and environmental factors that affect the immune response. The disease is divided into two main types: ulcerative colitis and Crohn’s disease. The goal of treating IBD is to reduce inflammation, restore gut lining and promote the growth of intestinal flora. Treatment options include medications and surgery. Anti-inflammatory drugs such as immunomodulators and biologics are commonly used to suppress the immune response and neutralize proteins produced by the immune system. However, over 80% of patients do not respond to initial therapy and up to 50% lose their response over time, highlighting the need for new drugs to address this problem.

Although there are many drugs and clinical trials targeting the PHD protein for HIF regulation, none specify a specific PHD isoform target but instead target the HIF-PHD pathway. Targeting the PHD1/2 isoform in isolation from the rest of the HIF-PHD has the advantages of greater potential efficacy because PHD1/2 is the main regulator of HIF activity in most cells and only PHD1/2 deficiency leads to the erythrocytosis associated with anemia. In addition, specific targeting of PHD1/2 preserves the normal function of the PHD3 isoform, which is required for normal intestinal function, potentially reducing side effects.

Global Prevalence of Anemia of CKD

The global prevalence of anemia of CKD has reached 389.4 million in 2021. It is estimated to increase to 447.2 million in 2025 and 514.7 million in 2030, with a CAGR of 3.5% and 2.8%, respectively, according to Frost & Sullivan.

Global Prevalence of IBD

Although the underlying causes of IBD are not well defined, targeting the HIF-PHD pathway may be an exciting area for potential future therapeutics for inflammatory diseases. HIF-PHD inhibitors have been shown to be protective in several models of IBD.
The global prevalence of IBD has reached 6.5 million in 2021. It is estimated to be 8.0 million in 2025 and 10.4 million in 2030, with a CAGR of 5.2% and 5.5%, respectively.

### Global Prevalence of IBD, 2017-2030E

<table>
<thead>
<tr>
<th>Period</th>
<th>US CAGR</th>
<th>China CAGR</th>
<th>Total CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2021</td>
<td>9.4%</td>
<td>9.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>2021-2025E</td>
<td>7.8%</td>
<td>7.6%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2025E-2030E</td>
<td>6.6%</td>
<td>6.2%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report

### Competitive Landscape of PHD1/2 Inhibitors

HIF-1α is a critical regulator of cellular oxygen homeostasis and plays a protective role in IBD and anemia of CKD. Under hypoxic conditions, HIF-1α stabilizes and activates the expression of the EPO gene, thereby stimulating erythropoiesis. This mechanism is essential for maintaining oxygen delivery to tissues under hypoxic conditions, such as those experienced by patients with anemia in CKD. Therefore, targeting PHD1/2, a regulator of HIF-1α, is a promising therapeutic strategy for anemia in CKD because it improves oxygen delivery in patients with anemia of CKD.
INDUSTRY OVERVIEW

Although many drugs and clinical trials target the PHD protein for HIF regulation, none of them specify a specific PHD isoform target, but instead target the HIF-PHD pathway in general. A drug that specifically targets the PHD1/2 isoform may have an advantage over drugs that target the entire HIF-PHD pathway because PHD1/2 is the major regulator of HIF activity in most cells and only PHD1/2 deficiency leads to erythrocytosis associated with anemia. In addition, the PHD3 isoform is necessary for normal intestinal function and should not be inhibited in the treatment of IBD. Below are five approved drugs and ten In-development drugs that target the HIF-PHD pathway.

### Approved Drugs

<table>
<thead>
<tr>
<th>Generic Name</th>
<th>Brand Name</th>
<th>Company</th>
<th>Indication</th>
<th>Drug Target</th>
<th>Approved Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roxadustat</td>
<td>Evrenzo</td>
<td>FibroGen</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>EMA, NMPA, PMDA</td>
</tr>
<tr>
<td>Vadadustat</td>
<td>Vafseo™</td>
<td>Akebia Therapeutics</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>PMDA</td>
</tr>
<tr>
<td>Daprodustat</td>
<td>Duvroq</td>
<td>GlaxoSmithKline</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>PDMA, FDA, EMA</td>
</tr>
<tr>
<td>Enarodustat</td>
<td>ENAROY®</td>
<td>Japan Tobacco, JW Pharma</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>PMDA</td>
</tr>
<tr>
<td>Molidustat</td>
<td>BAY-1053048</td>
<td>Bayer Schering Pharma</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>PMDA</td>
</tr>
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</table>

### In Development

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Company</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
<th>Expected/Actual Enrollment</th>
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</thead>
<tbody>
<tr>
<td>Desidustat</td>
<td>Zydus Pharmaceuticals, China Medical System Holdings Limited</td>
<td>Anemia of CKD</td>
<td>HIF-PHD</td>
<td>Phase III</td>
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<td>HIF-117</td>
<td>3Sbio, Zhejiang Wansheng Pharmaceutical</td>
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<td>HEC53856</td>
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<td>HIF-PHD</td>
<td>Phase I</td>
<td>2022-11</td>
<td>Not Yet Recruiting</td>
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<td>DDO-3055</td>
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<td>Renal Anemia</td>
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<td>HIF-PHD</td>
<td>Preclinical</td>
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<td>CG-598</td>
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<td>Preclinical</td>
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<tr>
<td>MK-8617</td>
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<td>HIF-PHD</td>
<td>Preclinical</td>
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<tr>
<td>JNJ-42905343</td>
<td>Johnson &amp; Johnson</td>
<td>Anemia</td>
<td>HIF-PHD</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Source: FDA, EMA, NMPA, PMDA, Clinicaltrials.gov, Frost & Sullivan Report
Note: Not an exhaustive list of preclinical candidates
TEAD Inhibitor Drug Market

Transcriptional Enhanced Associate Domain (“TEAD”) proteins are downstream effectors of the Hippo signaling pathway, which plays a role in regulating cell proliferation and stem cell functions. Dysregulation of the Hippo-YAP/TAZ-TEAD pathway has been observed in many cancers and promotes the transcription of genes involved in tumor cell proliferation and survival. TEAD inhibitors can disrupt the interaction between YAP/TAZ and TEAD, thereby inhibiting the transcription and translation of downstream genes. This results in the suppression of tumor cell proliferation, survival, differentiation and migration. Pharmacological modulators of TEADs have potential applications in cancer treatment and regenerative medicine.

### Competitive Landscape of TEAD Inhibitors

TEAD transcription factors work in concert with YAP and TAZ to orchestrate various transcriptional programs of cell proliferation and cell death suppression that promote cancer development. TEAD inhibitors may be effective monotherapies for a subset of cancers driven by the YAP/TAZ-TEAD transcriptional complex.

### Breakdown of Global Incidence of Potential ISM6331 Indications, 2017-2030E

Source: Frost & Sullivan Report
Note: Cancer incidence reflects the overall incidence of the listed potential indications and is not specific to the cancer population corresponding to TEAD inhibitor drugs unless otherwise indicated

### Drug Sponsor Indication Target Phase Trial Start Trial Status Expected Enrollment

<table>
<thead>
<tr>
<th>Drug</th>
<th>Sponsor</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>VT-3989</td>
<td>Vivace Therapeutics</td>
<td>Solid Tumors</td>
<td>TEAD Phase I</td>
<td>2021-03</td>
<td>Recruiting</td>
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<tr>
<td></td>
<td></td>
<td>Adult Mesothelioma</td>
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<td>IK-930</td>
<td>Ikena Oncology</td>
<td>Advanced Solid Tumors</td>
<td>TEAD Phase I</td>
<td>2022-01</td>
<td>Recruiting</td>
<td>158</td>
<td></td>
</tr>
<tr>
<td>BPI-460372</td>
<td>Betta Pharma</td>
<td>Solid Tumors</td>
<td>TEAD Phase I</td>
<td>2023-02</td>
<td>Recruiting</td>
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<tr>
<td>TEAD inhibitor</td>
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<td>Solid Tumors</td>
<td>TEAD Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report
Note: Not an exhaustive list of preclinical candidates
ENPP1 Inhibitor Drug Market

Cancer cells have unstable chromosomes, resulting in scattered DNA in the cytoplasm. This scattered DNA is recognized as evidence of viral invasion of the cell, leading to an immune attack by immune cells at the tumor site. The presence of the ENPP1 protein on the surface of cancer cells can help them evade surveillance by the immune system, helping the cancer cells to metastasize and spread. When ENPP1 is activated, it shears off the warning signal cGAMP, preventing it from reaching immune cells. This process also releases an immunosuppressive molecule called adenosine, which further suppresses the immune attack. When ENPP1 is inhibited, cGAMP level is elevated, leading to activation of the STING pathway in tumor cells and enhance immune cell infiltration of the tumor microenvironment.

Global Incidence of Potential ISM5939 Indications

The incidence rate is increasing for each type of potential cancer indications for ISM5939. Among them, invasive breast carcinoma account for the highest percentage of total cancer incidence among these indications, followed by stomach adenocarcinoma.

Competitive Landscape of ENPP1 Inhibitors

<table>
<thead>
<tr>
<th>Drug</th>
<th>Sponsor</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBS2418</td>
<td>Riboscience</td>
<td>Advanced Cancer</td>
<td>ENPP1</td>
<td>Phase I</td>
<td>2022-04</td>
<td>Recruiting</td>
<td>64</td>
</tr>
<tr>
<td>ISM5939</td>
<td>Insilico Medicine</td>
<td>Tumor</td>
<td>ENPP1</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan Report
Note: Not an exhaustive list of preclinical candidates

KAT6 Inhibitor Drug Market

KAT6 acetyltransferases acylate both histone H3 and non-histone proteins. In this context, KAT6 acetyltransferases play key roles in the regulation of transcription, various developmental processes, maintenance of hematopoietic and neural stem cells, regulation of hematopoietic cell differentiation, cell cycle progression and mitosis. KAT6A plays an essential role in normal hematopoietic stem cells and is the target of recurrent chromosomal translocations that cause AML. Similarly, chromosomal translocations in KAT6B have been identified in various cancers. Therefore, inhibition of KAT6A and KAT6B may provide therapeutic benefit in cancer.
INDUSTRY OVERVIEW

**Breast Cancer**

Breast cancer is a type of cancer that develops in the breast tissue. It is one of the most common types of cancer, with high incidence rates both in China and worldwide. According to Frost & Sullivan, in 2020, the global incidence of breast cancer reached 2.04 million and the incidence will continue to increase due to the aging population. Breast cancer primarily affects women, especially those over the age of 50. Symptoms of breast cancer may include a lump in the breast, a change in the shape of the breast, dimpling of the skin, fluid coming from the nipple, a newly inverted nipple, or a red or scaly patch of skin. Breast cancer is typically staged using the TNM system, which divides stages from 0 to 4. Early detection and treatment of breast cancer can greatly improve prognosis and survival rates.

**Treatment Options of ER+/HER2- Breast Cancer**

ER+ and HER2- breast cancer are two types of breast cancer that are often treated with a combination of surgery, radiation therapy, chemotherapy, and targeted therapy. Hormone therapy is also often used to treat ER+ breast cancer, while HER2+ breast cancer is treated with targeted therapy drugs such as trastuzumab (Herceptin). The specific treatment plan for each patient depends on a number of factors, including the stage of the cancer and the patient’s overall health.

**AML**

AML is a cancer characterized by a rapid increase in the number of immature blood cells. AML is caused by a DNA mutation in the stem cells in the bone marrow that make red blood cells, platelets, and infection-fighting white blood cells. This mutation causes problems with blood cell development, resulting in a buildup of many immature cells called myeloblasts or blasts. Blasts do not behave like fully developed, healthy blood cells and do not help a person’s immune system work, which can lead to a number of disorders. AML is fast and aggressive and requires immediate treatment. It is usually found in the blood and bone marrow, but can sometimes spread to other parts of the body. It is not known what triggers the genetic mutation in AML, although a number of things increase the risk of developing the disease. Risk factors include exposure to radiation or chemicals, smoking and certain genetic disorders. Early diagnosis and treatment can improve the chances of a successful outcome.

**Incidence of AML**

The global incidence of AML reached 154.5 thousand in 2021. It is estimated to reach 165.4 thousand in 2025 and 179.4 thousand in 2030, with a CAGR of 1.7% and 1.6% respectively, according to Frost & Sullivan.

**Treatment Option of AML**

Chemotherapy, sometimes combined with targeted drugs, is the main treatment for most types of AML. The first phase of chemotherapy is induction, which lasts about a week and is designed to clear the blood of leukemia cells and reduce the number of blasts in the bone marrow to normal levels. This is followed by consolidation and maintenance, where chemotherapy is given in cycles, followed by a rest period to allow the body to recover. Stem cell transplantation may be performed after chemotherapy, often in combination with intensive chemotherapy or total body irradiation, to replace the stem cells destroyed by intensive therapy and kill any remaining leukemic cells. APL is a subtype of AML that responds to non-chemo differentiation agents such as all-trans retinoic acid and arsenic trioxide. These drugs help APL blasts mature into normal white blood cells. Surgery and radiation therapy are rare treatments, with radiation therapy recommended for AML that has spread or is likely to spread to the spine and brain. In rare cases, an isolated tumor of leukemia cells may be treated with surgery.
Global Incidence of ER+/Her2- Breast Cancer

The global incidence of ER+/HER2- cancer reached 1,406 thousand in 2021. It is estimated to reach 1,507.5 thousand in 2025 and 1,629.2 thousand in 2030, with a CAGR of 1.8% and 1.6%, respectively, according to Frost & Sullivan.

Competitive Landscape of KAT6 Inhibitors

As an epigenetic regulator of part of the human genome, dysregulation of KAT6 has been observed in many cancers. Thus, inhibition of KAT6 has been identified as a potential therapeutic for certain cancers. Currently, there is only one drug targeting the KAT6 protein that is in Phase I clinical trials. The table below illustrates the competitive landscape of drug candidates targeting KAT6.

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Company</th>
<th>Indication</th>
<th>Target</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRS-2189</td>
<td>Shandong Suncadia Medicine Co., Ltd.</td>
<td>Advanced Malignant Tumor</td>
<td>KAT6</td>
<td>Phase I</td>
<td>2023-05</td>
<td>Not yet recruiting</td>
<td>60</td>
</tr>
<tr>
<td>PF-07248144</td>
<td>Pfizer</td>
<td>Locally Advanced or Metastatic Cancer</td>
<td>KAT6</td>
<td>Phase I</td>
<td>2020-11</td>
<td>Recruiting</td>
<td>108</td>
</tr>
<tr>
<td>ISM5043</td>
<td>Insilico Medicine</td>
<td>ER+/HER2- breast cancer</td>
<td>KAT6</td>
<td>Preclinical</td>
<td>N/A</td>
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<tr>
<td>CTX-0124143</td>
<td>Canthera Discovery</td>
<td>N/A</td>
<td>KAT6</td>
<td>Preclinical</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: Clinicaltrials.gov, Frost & Sullivan Report
Note: Not an exhaustive list of preclinical candidates

MTAP Inhibitors Drug Market

MTAP-/- Cancer

The methionine salvage pathway is a process by which cells recycle sulfur-containing metabolites from methylthioadenosine. In many human cancers, the gene encoding an essential enzyme in this pathway, methylthioadenosine phosphorylase ("MTAP"), is deleted. This loss of MTAP activity has been shown to lead to selective dependency on PRMT5 in cancer cells. Recent studies have shown that targeting the metabolic enzyme methionine adenosyltransferase 2α ("MAT2A") results in reduced levels of S-adenosylmethionine ("SAM") in all cells, which in turn leads to a selective reduction of PRMT5 activity in MTAP-deleted cancer cells, thereby inhibiting their growth. These findings suggest that targeting MAT2A may be a promising therapeutic strategy for MTAP-deficient cancers.
Global Incidence of Potential ISM3412 Indications

The incidence rate of cancer is increasing for each type of cancer potentially treatable by ISM3412. Among them, non-small lung cancer accounted for the highest percentage of total cancer incidence, followed by pancreatic cancer.

Breakdown of Global Incidence of Potential ISM3412; Indications, 2017-2030E

Competitive Landscape of MAT2A Inhibitors

As a synthetic lethal target in MTAP-deficient cancers, MAT2A offers new hope for treating tumors that have eluded other forms of therapy. In addition to Insilico’s pipeline, there are currently two clinical trials in solid tumors using this novel target, both in Phase I.

DGKA Inhibitor Drug Market

Diacylglycerol kinase alpha (“DGKA”) is a protein that is highly expressed in several types of cancer, where T cell exhaustion is frequently observed. T cell exhaustion is a state of dysfunction that can occur in T cells as a result of chronic exposure to antigens, such as those expressed by cancer cells. When T cells become exhausted, they lose their ability to effectively respond to antigens, leading to reduced immune surveillance and allowing cancer cells to evade the immune system.

DGKA is found to be expressed in both cancer cells and T cells. Targeting DGKA could inhibit cancer cell proliferation and also promote TCR signaling, thus restoring the function of endogenous tumor-specific T cells.
Global Incidence of Potential ISM4312A Indications

The incidence rate of potential ISM4312A indications are increasing. Among them, lung cancer accounted for the highest percentage of total cancer incidence, followed by colorectal cancer.

Breakdown of Global Incidence of Potential ISM4312A Indications, 2017-2030E

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Melanoma</td>
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<td>4.32</td>
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<td>4.32</td>
<td>4.44</td>
<td>4.55</td>
<td>4.70</td>
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<td>Total</td>
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<td>4.64</td>
<td>4.76</td>
<td>4.88</td>
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<td>5.59</td>
<td>5.76</td>
<td>5.94</td>
<td>6.12</td>
<td>6.31</td>
<td>6.50</td>
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Source: Frost & Sullivan Report
Note: Cancer incidence reflects the overall incidence for potential ISM4312A indications not specific to the cancer population corresponding to PGKA inhibitor drugs

Competitive Landscape of DGKA Target Inhibitors

Two drugs targeting isoforms of DGKA are currently in Phase I clinical trials.

<table>
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<tr>
<th>Drug Name</th>
<th>Target</th>
<th>Sponsor</th>
<th>Indication</th>
<th>Phase</th>
<th>Trial Start</th>
<th>Trial Status</th>
<th>Expected/Actual Enrollment</th>
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<td>Bayer</td>
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<td>Phase I</td>
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<td>Bristol Myers Squibb</td>
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Sources: Clinicaltrials.gov, Frost & Sullivan Report

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on our markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of our markets for potential [REDACTED]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost &
Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB905 thousand for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [REDACTED] or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED]. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.
Due to the geographic diversity of our business, our operations are subject to a variety of rules and regulations. The following is a brief summary of the key laws and regulations that currently may materially affect us and our operations, and does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential [REDACTED]. [REDACTED] should note that the following summary is based on the laws and regulations in force as at the Latest Practicable Date, which may be subject to change.

Regulatory Overview

Regulation of Pharmaceutical Product Research, Development, Approval and Registration

United States

The FDA and other regulatory authorities at federal, state, and local levels, extensively regulate, among other things, the research, development, testing, manufacture, quality control, import, export, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, advertising, promotion, marketing, post-approval monitoring and post-approval reporting of drugs such as those we are developing. We, along with third-party contractors, will be required to navigate the various preclinical, clinical and commercial approval requirements to conduct studies or seek approval or licensure of our product candidates.

Our product candidates are subject to regulation by the FDA and may be regulated as drugs. Drugs require the submission of a New Drug Application, or NDA. The FDA must approve an NDA before the product candidate can be marketed in the United States. Failure to comply with applicable FDA or other requirements at any time during product development, clinical testing, the NDA approval process or after NDA approval may result in administrative or judicial actions, including the FDA’s refusal to approve pending applications, suspension or revocation of approved applications, warning letters, product recalls, product seizures, total or partial suspensions of manufacturing or distribution, injunctions, fines, civil penalties or criminal prosecution.

The process required by the FDA before drug product candidates may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies performed in accordance with the FDA’s Good Laboratory Practices, or GLP, regulations;
- submission to the FDA of an Investigational New Drug application, or IND, which must become effective before clinical trials may begin and must be reported on annually and amended when significant changes are made;
- approval by an independent Institutional Review Board, or IRB, or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials to establish the safety and effectiveness of the proposed product candidate for its intended indications;
- preparation of and submission to the FDA of an NDA when adequate data are obtained from pivotal clinical trials;
- registration of the manufacturing facility or facilities at which the proposed product will be manufactured, packaged or labeled;
- a determination by the FDA within 60 days of its receipt of an NDA under standard procedure to accept the application for review;
- satisfactory completion of a potential FDA Advisory Committee review, if applicable;
REGULATORY OVERVIEW

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is manufactured to assess compliance with cGMP and to assure that the facilities, methods and controls are adequate to preserve the drug’s continued safety and efficacy or the biological product’s continued safety, purity and potency, and of selected clinical investigation sites to assess compliance with Good Clinical Practices, or GCP regulations;
- potential FDA audit of the nonclinical study and clinical trial sites that generated the data in support of the NDA, if applicable; and
- FDA review and approval of the NDA to permit commercial distribution and marketing of the product for approved indications for use in the United States.

IND Application and Clinical Development

Prior to initiating the first clinical trial with a product candidate in the United States, we must submit an IND application to the FDA. An IND application is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND application is on the general investigational plan and the protocol(s) for clinical trials. The IND application also includes results of animal and in vitro studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the investigational product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the proposed clinical trial. If the IND sponsor is not able to address the FDA’s concerns satisfactorily within the 30-day time frame, the IND may be placed on clinical hold. The IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical hold is removed by the FDA and the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Generally, a separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives.

A sponsor may choose, but is not required, to conduct a clinical trial at sites outside the United States under an IND. When a foreign clinical trial is conducted under an IND, all FDA IND requirements must be met unless waived. When a foreign clinical trial is not conducted under an IND, the sponsor must ensure that the study complies with certain regulatory requirements of the FDA in order to use the study as support for an IND or application for marketing approval or licensing. In particular, such studies must be conducted in accordance with GCP, including review and approval by an IRB or independent ethics committee, or IEC, and informed consent from volunteers. The FDA must be able to validate the data through an on-site inspection, if deemed necessary by the FDA.

For purposes of NDA approval, human clinical trials are typically conducted in three sequential phases that may overlap. In some cases, the FDA may require, or companies may voluntarily pursue, additional clinical trials after a product is approved to gain more information about the product. These so-called Phase 4 studies may be made a condition to approval of the NDA. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term
safety follow-up. During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA, and to the clinical investigators, regarding serious and unexpected adverse events, as well as any findings from other studies, tests in laboratory animals or in vitro testing that suggest either a significant risk for human patients or a clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. In addition, concurrent with clinical trials, companies may complete additional animal studies and develop additional information about the biological characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product, or for biologics, the safety, purity and potency. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

Premarket Submission and Review

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, preclinical studies and clinical trials are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. The NDA must include all relevant data available from pertinent preclinical and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product’s chemistry, manufacturing, controls and proposed labeling, among other things. The submission of an NDA requires payment of a substantial application user fee to the FDA unless a waiver or exemption applies.

Once an original NDA has been submitted, the FDA has 60 days to determine whether the application can be filed. If the FDA determines that an application is deficient on its face in a way that precludes a complete review, the FDA may not accept the application for review and may issue a refuse-to-file letter to the sponsor. If the FDA determines the application is fileable, the FDA’s goal is to review standard applications within ten months after it accepts the application for filing, or, if the application qualifies for priority review, six months after the FDA accepts the application for filing. In both standard and priority reviews, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews an NDA to determine whether a drug is safe and effective for its intended uses. The FDA reviews the applications to determine whether the facilities in which products are manufactured, processed, packed, or held meet standards designed to assure the product’s continued safety and efficacy (drugs). The FDA may convene an advisory committee to provide insight on application review questions. Before approving an NDA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the NDA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than the company interprets the same data. If the FDA decides not to approve an NDA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the application identified by the FDA. The complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the
FDA may approve the drug subject to a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a product and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product’s safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies.

Expedited Development and Review Programs

The FDA offers a number of expedited development and review programs, or Fast Track programs, for qualifying product candidates. The Fast Track program is intended to expedite or facilitate the process for reviewing new products that meet certain criteria. Specifically, new products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and nonclinical or clinical data demonstrate the potential to address unmet medical needs for the disease or condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a Fast Track product has opportunities for frequent interactions with the review team during product development and, once an NDA is submitted, the product may be eligible for priority review. A Fast Track product may also be eligible for rolling review, in which case the FDA may consider for review sections of the NDA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA, the FDA agrees to accept sections of the NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA.

A product intended to treat a serious or life-threatening disease or condition may also be eligible for breakthrough therapy designation to expedite its development and review. A product can receive breakthrough therapy designation if preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the Fast Track program features, as well as more intensive FDA interaction and guidance beginning as early as Phase 1 and an organizational commitment to expedite the development and review of the product, including involvement of senior managers.

Any marketing application for a drug or biologic submitted to the FDA for approval, including a product with a Fast Track designation and/or breakthrough therapy designation, may be eligible for other types of FDA programs intended to expedite the FDA review and approval process, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide a significant improvement in the treatment, diagnosis or prevention of a serious disease or condition compared to marketed products. For products containing new molecular entities, priority review designation means the FDA’s goal is to take action on the marketing application within six months of the 60-day filing date (compared with ten months under standard review).

Additionally, products studied for their safety and effectiveness in treating serious or life-threatening diseases or conditions may receive accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of
accelerated approval, the FDA will generally require the sponsor to perform adequate and well-controlled post-marketing clinical trials to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or to a drug intended to treat a disease or condition affecting more than 200,000 individuals in the United States if there is no reasonable expectation that the cost of developing and making available the drug to treat that disease or condition will be recovered from sales in the United States for that drug. Orphan drug designation must be requested before submitting an NDA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusive approval (or exclusivity), which means that the FDA may not approve any other applications, including a full NDA, to market the same drug for the same indication for seven years, except in certain circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent the FDA from approving a different drug for the same disease or condition, or the same drug for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the NDA application fee.

A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. In addition, exclusive marketing rights in the United States may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the disease or condition for which the drug was designated.

PRC

Clinical Trial application

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), or the Circular 27, which was promulgated on January 22, 2020 and took effect on July 1, 2020, the Center for Drug Evaluation under the NMPA (the “CDE”) is responsible for the application of conducting new drug clinical trials. According to Circular 27, drug clinical trials shall be divided into Phase I clinical trial, Phase II clinical trial, Phase III clinical trial, Phase IV clinical trial, and bioequivalence trial. In accordance with Circular 27 and the Announcement on Adjusting Evaluation and approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) issued in July 2018, if a clinical trial applicant does not receive any negative or questioned opinions from the CDE within 60 days after the date when the trial application is accepted and the fees are paid, the applicant can proceed with the clinical trial in accordance with the trial protocol submitted to the CDE.

Conduction of Clinical Trial and the Communication with CDE

Clinical trials must be conducted in accordance with the Announcement on Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), which was promulgated by NMPA and NHC on April 23, 2020 and took effect on July 1, 2020, which also sets forth the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocol, duties of the sponsor and investigators and protection of the trial subjects.
REGULATORY OVERVIEW

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》), where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

Other Healthcare Laws and Compliance Requirements

Other United States Healthcare Laws and Compliance Requirements

Pharmaceutical companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under any federal healthcare program;

- federal civil and criminal false claims laws, including the civil False Claims Act, and Civil Monetary Penalties Law, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval to the federal government, including federal healthcare programs, that are false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes which prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters, and which, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, also imposes certain requirements on HIPAA covered entities (i.e., certain healthcare providers, health plans and healthcare clearinghouses) and their business associates (and covered subcontractors) relating to the privacy, security and transmission of individually identifiable health information;

- the U.S. federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program, with specific exceptions, to annually report to the federal government, information related to payments or other transfers of value made to physicians, as defined by such law, certain other health care providers beginning in 2022, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- U.S. state law equivalents of each of the above federal laws, which, in some cases, differ from each other in significant ways, and may not have the same effect, thus complicating compliance efforts.

If our operations are found to be in violation of any of such laws or any other governmental regulations that apply, we may be subject to significant penalties, including, without limitation, civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disgorgement, imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations.

Coverage and Reimbursement

In the United States, sales of any product depend, in part, on the extent to which such product will be covered by third-party payers, such as federal, state and foreign government healthcare programs,
commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payers. Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which we obtain regulatory approval. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. As there is no uniform policy of coverage and reimbursement for drug products among third-party payers in the United States, coverage and reimbursement policies for drug products can differ significantly from payer to payer. There may be significant delays in obtaining coverage and reimbursement as the process of determining coverage and reimbursement is often time-consuming and costly which will require us to provide scientific and clinical support for the use of our products to each payer separately, with no assurance that coverage or adequate reimbursement will be obtained. It is difficult to predict at this time what government authorities and third-party payers will decide with respect to coverage and reimbursement for any of our drug products that may receive marketing approval. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization.

In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Third-party payers are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payer not to cover a product could reduce physician usage and patient demand for the product.

Privacy and Security

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. For example, under the administrative simplification provisions of HIPAA, as amended by HITECH, HHS issued regulations that establish uniform standards governing the conduct of certain electronic healthcare transactions and requirements for protecting the privacy and security of protected health information, or PHI, used or disclosed by covered entities. Covered entities and their business associates (and their covered subcontractors) are subject to HIPAA and HITECH.

HIPAA and HITECH include privacy and security rules, breach notification requirements and electronic transaction standards. The HIPAA Privacy Rule generally prohibits the use or disclosure of PHI except as permitted under the rule. The rule also sets forth individual patient rights, such as the right to access or amend certain records containing his or her PHI, or to request restrictions on the use or disclosure of his or her PHI. The HIPAA Security Rule requires those subject to HIPAA to safeguard the confidentiality, integrity, and availability of electronically transmitted or stored PHI by implementing administrative, physical and technical safeguards. Under HITECH’s breach notification rule, a covered entity must notify individuals, the Secretary of the HHS, and in some circumstances, the media of breaches of unsecured PHI.

If found to be in violation of HIPAA as the result of a breach of unsecured PHI, a complaint about their privacy practices or an audit by HHS, entities may be subject to significant civil and criminal fines and penalties and/or additional reporting and oversight obligations if such entities are required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

In addition, we may be subject to state health information privacy, security and data breach notification laws, which may govern the collection, use, disclosure and protection of health-related and other personal
information. State laws may be more stringent, broader in scope or offer greater individual rights with respect to health-related information or other personal information than HIPAA. California, for example, has enacted the Confidentiality of Medical Information Act, or the CMIA, which sets forth standards in addition to HIPAA and HITECH with which all California health care providers like us must abide. In addition, the California Consumer Privacy Act, or the CCPA, was signed into law on June 28, 2018, and went into effect January 1, 2020. The CCPA contains new disclosure obligations (among other things) for covered businesses that collect personal information about California residents and affords those individuals new rights relating to their personal information that may affect our ability to use personal information. The CCPA authorizes private lawsuits to recover statutory damages for certain data breaches. Although the CCPA exempts health related information regulated by HIPAA or the CMIA and certain data regarding clinical trials, the CCPA, to the extent applicable to our business and operations, may increase compliance costs and potential liability with respect to other personal information we maintain about California residents. Furthermore, the California Privacy Rights Act of 2020, or the CPRA, amended the CCPA and added new additional privacy protections that began on January 1, 2023. The CPRA will (among other things) give California residents the ability to limit use of certain sensitive personal information, establish restrictions on the retention of personal information, expand the types of data breaches subject to the CCPA’s private right of action, and establish a new California Privacy Agency to implement and enforce the new law. Other states in the United States have also enacted data privacy laws. For example, Virginia recently passed its Consumer Data Protection Act, and Colorado recently passed the Colorado Privacy Act, both of which differ from the CPRA and become effective in 2023. Additionally, U.S. federal and state consumer protection laws may, among other things, require us to publish statements that accurately and fairly describe how we handle personal information and choices individuals may have about the way we handle their personal information. Complying with these various state laws and regulations, which may differ from state to state, requires significant resources and may complicate our compliance efforts. Penalties for violation of any of these laws and regulations may include sanctions against a laboratory’s licensure, as well as civil and/or criminal penalties.

The U.S. regulatory framework for privacy, data security and data transfers is rapidly evolving, and there has been an increasing focus on privacy and data protection issues. As a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future.

**PRC Regulations Relating to Sampling and Collecting Human Genetic Resources Filing**

The Regulations on Human Genetic Resources Management (《人類遺傳資源管理條例》) promulgated by the State Council on May 28, 2019 and implemented on July 1, 2019, stipulates that foreign organizations and institutions established or actually controlled by foreign organizations or individuals that need to make use of PRC’s genetic resources to carry out scientific research activities shall abide by PRC laws, administrative regulations and relevant provisions, and shall cooperate with PRC scientific research institutions, higher education institutions, medical institutions and enterprises. In order to obtain marketing authorization for relevant drugs in China, no approval is required in international clinical trial cooperation using PRC’s human genetic resources at clinical institutions without export of human genetic resource materials. However, the two corresponding parties shall file the type, quantity and usage of the human genetic resource to be used with the administrative department of science and technology under the State Council before commencing clinical trial.

The PRC Biosecurity Law (《中華人民共和國生物安全法》), or Biosecurity Law, was promulgated by the Standing Committee of the National People’s Congress (“SCNPC”) on October 17, 2020 and became effective on April 15, 2021. The Biosecurity Law establishes a comprehensive legislative framework for the preexisting regulations in such areas as: epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microbial laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of
biological weapons. As per the Biosecurity Law, the research and development activities of high-risk and medium-risk biotechnology shall be carried out by a legal person organization established within the territory of the PRC, upon obtaining the approval or record-filing; the establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements in accordance to the law, including using the PRC’s human genetic resources to carry out international scientific research cooperation.

The Ministry of Science and Technology promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人遺傳資源管理條例實施細則》) (the “Implementation Rules”) on May 26, 2023, which will take effect on July 1, 2023. The Implementation Rules refined the Administrative Regulations on Human Genetic Resources of the PRC, including but not limited to refining the definition of “human genetic resources information”, improving the identification standard of “foreign entities”, adjusting the scope of application of collection licensing, adjusting and improving the approval procedures for international cooperative scientific research and administrative supervision rules.

Regulations Relating to Intellectual Property Rights

United States

Patent Term Restoration, Extension and Marketing Exclusivity

The term of a patent (other than a design patent) begins on the date the patent issues and ends on the date that is twenty years from the date on which the application for the patent was filed in the United States. A patent claiming a new drug product may be eligible for a limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, which permits a patent restoration of up to five years for patent term lost during the FDA regulatory review process. The restoration period granted on a patent covering a product is typically one-half the time between the effective date of an IND and the submission date of a NDA, plus the time between the submission date of the NDA and the ultimate approval date, less any time the sponsor did not act with due diligence during such periods. Patent term restoration cannot be used to extend the remaining term of a patent past a total of 14 years from the product’s approval date. Only one patent applicable to an approved product is eligible for the extension, and only those claims covering the approved product, a method for using it, or a method for manufacturing it, may be extended. Additionally, the application for the extension must be submitted within 60 days of the product’s approval date and prior to the expiration of the patent in question. A patent that covers multiple products for which approval is sought can only be extended in connection with one of the approvals. The United States Patent and Trademark Office reviews and approves the application for any patent term extension or restoration in consultation with the FDA.

Market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to gain approval of an NDA for a New Chemical Entity, or NCE. A drug is an NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the physiological or pharmacological action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for a generic version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the conditions of use associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant
submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness or generate such data themselves.

Hong Kong

Patent

The Patents Ordinance (Chapter 514 of the Laws of Hong Kong), or the Patents Ordinance, is the primary legislation governing patent law in Hong Kong. The Patents Ordinance provides for the protection of inventions through the granting of patents. Subject to the Patents Ordinance, for standard patent by original grant, an application must be filed with the Intellectual Property Department (“IPD”) in order to obtain the patent. The application must include a description of the invention, claims defining the scope of the invention, and any necessary drawings or diagrams. The IPD will examine the application to determine whether the invention is patentable. The examination process may include a search for prior art, a review of the claims, and an assessment of the inventive step. If the application is successful, a patent will be granted for a period of 20 years from the date of filing. In addition, the Patents Ordinance provides a framework for the protection of patent infringement, where a person carries out certain activities without the permission of the patent owner, such as making, using, or selling the patented invention.

Trademark

Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong), or the Trade Mark Ordinance, is the primary legislation governing trademark law in Hong Kong. The Trade Mark Ordinance provides for the registration and protection of trademarks, which are signs used to distinguish goods or services of one trader from those of another. To obtain trademark protection, an application must be filed with the IPD. The application must include a representation of the trademark and a list of the goods and services for which the trademark will be used. The IPD will examine the application to determine whether the trademark is registrable. The examination process may include a search for prior trademarks and an assessment of the distinctiveness of the trademark which may be renewed for a further period of 10 years upon the expiry of the previous registration period. If the application is successful, the trademark will be registered for a period of 10 years from the date of filing. In addition, the Trade Mark Ordinance provides a framework for the protection of trademark infringement where a person uses a trademark that is identical or similar to a registered trademark in relation to goods or services that are the same or similar to those covered by the registered trademark.

Copyright

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), or the Copyright Ordinance is the primary legislation governing copyright law in Hong Kong. The Copyright Ordinance provides protection for recognized categories of literary, dramatic, musical, and artistic works, as well as for films, television broadcasts and cable diffusion and works made available to the public on the internet. Copyright is an automatic right, which arises when a work is created. It is not necessary to register a copyright in Hong Kong in order to get protection under Hong Kong law. In fact, there is no official registry in Hong Kong for registration of copyright works. Pursuant to the Copyright Ordinance, copyright infringement occurs when a person carries out certain activities without the permission of the copyright owner, such as reproducing, distributing, or communicating a work to the public. A copyright owner can also take civil legal action against any person who infringes the copyright in the work.

PRC

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), or the Patent Law, which was promulgated by the Standing Committee of NPC on March 12, 1984, and the most recent amendment took effect
on June 1, 2021, patent protection is divided into three categories, namely, invention patents, utility model patents and design patents. Invention patents are valid for twenty years from the date of application, utility patents are valid for ten years from the date of application while design patents are valid for fifteen years from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Once an invention patent, or an utility model patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, offer for sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, offer for sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder, otherwise, the use will constitute an infringement of the patent rights.

Trademark

The Trademark Law (《中華人民共和國商標法》) was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and became effective on November 1, 2019. According to the Trademark Law, the Trademark Office of the National Intellectual Property Administration, or the Trademark Office, handles trademark registrations and grants a term of 10 years to registered trademarks. The registration may be renewed for a consecutive 10-year period upon request by the trademark owner within 12 months prior to the expiry date of the trademark if continued use is intended. For licensed use of a registered trademark, the licensor shall file record of the licensing of such trademark with the Trademark Office. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark under registration application is identical or similar to another trademark that has already been registered or been subject to a preliminary examination, the application for registration of such trademark may be rejected.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the PRC Copyright Law (《中華人民共和國著作權法》), or Copyright Law, which was promulgated by Standing Committee of NPC on September 7, 1990 and the most recent amendment came into effect on June 1, 2021. Under the Copyright Law, PRC citizens, legal persons or other organizations enjoy copyright over their works which refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form including written works, oral works, computer software and other intellectual achievements which comply with the characteristics of the works, whether published or not.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and amended on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection. The term of protection for software copyright is fifty years.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017, and became effective on November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.
Regulations Relating to Data Privacy and Cybersecurity

General Data Protection Regulation 2016/679, or the GDPR, and the UK GDPR

The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the GDPR which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR imposes restrictions on our ability to gather personal data, provides individuals with the ability to opt out of personal data collection, imposes obligations on our ability to share data with others, and potentially subjects us to fines, lawsuits, and regulatory scrutiny.

The GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States. For example, the use of Standard Contractual Clauses (SCCs) (one of the primary alternatives to the Privacy Shield, which was invalidated in July of 2020) for such cross-border data transfers must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular, applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place. However, the nature of these additional measures is currently uncertain. Additionally, the European Commission recently adopted new SCCs that will repeal the SCCs adopted under the Data Protection Directive, which means we may need to update our contracts that involve the transfer of personal data outside of the European Union to the new SCCs.

Fines for non-compliance with the GDPR are significant—up to the greater of €20 million or 4% of global turnover. In addition to administrative fines, a wide variety of other potential enforcement powers are available to competent supervisory authorities in respect of potential and suspected violations of the GDPR, including extensive audit and inspection rights, and powers to order temporary or permanent bans on all or some processing of personal data carried out by non-compliant actors. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR is a rigorous and time-intensive process that increases the cost of doing business and has required companies to change their business practices.

Since the United Kingdom, or the UK, ceased to be a member of the European Union in January 2020, often referred to as “Brexit”, data processing in the UK is governed by a UK version of the GDPR (combining the GDPR and the Data Protection Act 2018). Although the UK GDPR is substantially similar to the GDPR, ongoing developments in the UK have created uncertainty with regard to data protection regulation, which could result in new UK data privacy and protection laws and standards.

Hong Kong

We may be subject to data privacy and security regulations by the local authorities in which we conduct our business. For example, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”) in Hong Kong provides guidance on the ethical development and use of AI in relation to personal data protection. The Privacy Commissioner for Personal Data (“PCPD”) has issued Guidance on Ethical Development and Use of AI which recommends that organizations embrace three fundamental Data Stewardship Values when they develop and use AI, namely, being respectful, beneficial and fair to stakeholders. In line with international standards, the Guidance on Ethical Development and Use of AI sets out the following seven ethical principles for AI: (1) accountability - Organizations should be responsible for what they do and be able to provide sound justifications for their actions; (2) human oversight - Organizations should ensure that appropriate human oversight is in place for the operation of AI; (3) transparency and interpretability - Organizations should disclose their use of AI and relevant policies
while striving to improve the interpretability of automated decisions and decisions made with the assistance of AI; (4) data privacy – Effective data governance should be put in place; (5) fairness - Organizations should avoid bias and discrimination in the use of AI; (6) beneficial AI - Organizations should use AI in a way that provides benefits and minimizes harm to stakeholders; and (7) reliability, robustness and security - organizations should ensure that AI systems operate reliably, can handle errors and are protected against attacks.

In addition, the PCPD has issued Guidance on Collection and Use of Biometric Data, to assist data users who wish to collect biometric data to comply with PDPO. Under the Guidance on Collection and Use of Biometric Data, biometric data includes the physiological data with which individuals are born with and behavioral data developed by an individual after birth. Biometric data is therefore data directly related to an individual. While it may not be reasonably practicable for a lay person to ascertain the identity of an individual by merely looking at the individual’s fingerprint images or their numeric representations, when the biometric data is linked with personal data in another database, a particular individual can be identified. Pursuant to the Guidance on Collection and Use of Biometric Data, data users should derive biometric data templates from the original biometric samples/images for storage and subsequent use, and discard the original samples/images safely afterwards. The templates derived from biometric samples/images should be stored in such a form from which it is technically infeasible or difficult to convert back to the original graphical images. Data users need to be aware of the sensitivity of the data concerned before deciding what data to collect and in what format they are to be kept. In this regard, the cost and the availability of biometric data readers and scanners should not be the prime consideration of the data users.

**PRC Regulations Relating to Data Privacy and Cybersecurity**

The Data Security Law of the PRC (《中華人民共和國數據安全法》), or the DSL, was promulgated by the SCNPC on June 10, 2021 and became effective on September 1, 2021. The primary purpose of the DSL is to regulate data-related activities, which include data collection, storage, usage, processing, transmission, provision and disclosing of data, safeguarding data security, promoting data development and usage, protecting individuals and entities’ legitimate rights and interests, and safeguarding state sovereignty, state security and development interests. The DSL will apply to both data activities conducted within the territory of the PRC and data activities conducted outside the PRC that may harm the national security or public interests of the PRC, or the legitimate rights of PRC citizens or entities. The DSL provides that China shall establish a data classification and grading protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for national security. A decision on security review made in accordance with the law shall be final. Processors of data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《個人信息保護法》), which took effect from November 1, 2021. The Personal Information Protection Law stipulates, among other things, the circumstances under which a personal information processor could process personal information, such as: (i) with the consent of individual; (ii) if necessary for the execution or performance of a contract to which the individual is a party; (iii) if necessary to fulfill statutory duties and statutory obligations; (iv) in order to respond to public health emergencies or protect natural persons’ life, health and property safety under emergency circumstances; (v) such information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation.

The SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) on November 7, 2016. According to the PRC Cybersecurity Law, personal information refers to all kinds of information that are recorded electronically or in other forms that can be used to independently identify or
be combined with other information to identify natural persons’ personal information, including but not limited to natural persons’ names, dates of birth, identification numbers, biologically identified personal information, addresses and telephone numbers. Any network operators or providers of network products and services that violate the privacy protection requirements under the PRC Cybersecurity Law and related laws and regulations may be ordered to turn in illegal gains generated from unlawful operations and pay a fine of no less than one but no more than ten times of the illegal gains and may be ordered to cease the relevant business operations when the violation is serious.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, together with other PRC governmental authorities, promulgated the Measures for Cybersecurity Review (《网络安全审查办法》), or the Cybersecurity Measures. Pursuant to the Cybersecurity Measures, online platform operators holding personal information of more than one million users and seeking a [REDACTED] outside China must file for a cybersecurity review with the Cybersecurity Review Office before conducting any [REDACTED] on a foreign stock exchange. In addition, the purchase of network products and services of a critical information infrastructure operator and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review. Alternatively, relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine any network products and services, and data processing activities affect or may affect national security.

Other Regulations

PRC Regulations Relating to Overseas Securities

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek to [REDACTED] or [REDACTED] securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If an issuer meets both the following criteria, the overseas securities [REDACTED] and [REDACTED] conducted by such issuer will be deemed as indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies: (i) the operating revenue, total profits, total assets or net assets of domestic enterprises in the latest financial year account for more than 50% of the respective data in such issuer’s audited consolidated financial statements for the same period, and (ii) the main parts of such issuer’s business activities are conducted in China, or its main place(s) of business are located in China, or the majority of the senior management in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in China.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group was founded by Mr. Alex Zhavoronkov, Ph.D., who is our chairman of the Board, executive Director and CEO, and has been responsible for the overall business operations and management of our Group since establishment. For the biography and industry experience of Mr. Alex Zhavoronkov, Ph.D., please refer to the section headed “Directors and Senior Management.”

Our Group commenced our business operation through Insilico Inc., a corporation established in Delaware, United States on February 10, 2014. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2018 and became the holding company of our Group after the Reorganization, details of which are set out in “– Reorganization” in this section.

OUR BUSINESS MILESTONES

The following table sets forth the key business development milestones of our Group:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Insilico Inc. was established in Delaware, United States</td>
</tr>
<tr>
<td></td>
<td>We began development of PandaOmics</td>
</tr>
<tr>
<td>2016</td>
<td>We began development of Chemistry42</td>
</tr>
<tr>
<td></td>
<td>We began development of inClinico</td>
</tr>
<tr>
<td></td>
<td>We published “The cornucopia of meaningful leads: Applying deep adversarial autoencoders for new molecule development in oncology” in Oncotarget</td>
</tr>
<tr>
<td>2018</td>
<td>Our Company was established in the Cayman Islands</td>
</tr>
<tr>
<td></td>
<td>We completed our Series A financing</td>
</tr>
<tr>
<td>2019</td>
<td>We opened our Hong Kong headquarters</td>
</tr>
<tr>
<td></td>
<td>We completed our Series B financing</td>
</tr>
<tr>
<td></td>
<td>We published “Deep learning enables rapid identification of potent DDR1 kinase inhibitors” in Nature Biotechnology</td>
</tr>
<tr>
<td></td>
<td>We initiated our first program in drug discovery and development</td>
</tr>
<tr>
<td></td>
<td>We entered into an inClinico collaboration with a global pharmaceutical company</td>
</tr>
<tr>
<td>2020</td>
<td>We officially launched PandaOmics and Chemistry42</td>
</tr>
</tbody>
</table>
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>We nominated two AI-designed PCCs for TNIK</td>
</tr>
<tr>
<td></td>
<td>We entered into a strategic collaboration agreement with Fosun</td>
</tr>
<tr>
<td></td>
<td>We entered into a collaboration with an agricultural company</td>
</tr>
<tr>
<td></td>
<td>We completed our Series C financing</td>
</tr>
<tr>
<td>2022</td>
<td>We completed Phase 0 FIH study of ISM001-055, also known as INS018_055</td>
</tr>
<tr>
<td></td>
<td>We officially launched inClinico</td>
</tr>
<tr>
<td></td>
<td>We nominated eight AI-designed PCCs for our drug development pipeline and one for our pharma customer</td>
</tr>
<tr>
<td></td>
<td>We received approval from the New Zealand Medicines and Medical Devices Safety Authority to initiate a Phase I clinical trial of ISM001-055 in healthy volunteers in New Zealand, and initiated such clinical trial</td>
</tr>
<tr>
<td></td>
<td>We received an umbrella clinical trial approval from the NMPA for Phase I - III clinical trials, and initiated a Phase I clinical trial of ISM001-055 in healthy volunteers in China</td>
</tr>
<tr>
<td></td>
<td>We entered into a strategic collaboration agreement with Sanofi</td>
</tr>
<tr>
<td></td>
<td>We launched our wholly owned, generative AI-driven robotics laboratory in Suzhou, China</td>
</tr>
<tr>
<td></td>
<td>We completed our Series C+ financing</td>
</tr>
<tr>
<td></td>
<td>We completed our Series D financing</td>
</tr>
<tr>
<td>2023</td>
<td>We received orphan drug designation of ISM001-055 for treatment of IPF from the FDA</td>
</tr>
<tr>
<td></td>
<td>We published “AlphaFold accelerates artificial intelligence powered drug discovery: efficient discovery of a novel CDK20 small molecule inhibitor” in Chemical Science</td>
</tr>
<tr>
<td></td>
<td>We completed the New Zealand Phase I clinical trial of ISM001-055 in healthy volunteers</td>
</tr>
<tr>
<td></td>
<td>We published “Precious1GPT: multimodal transformer-based transfer learning for aging clock development and feature importance analysis for aging and age-related disease target discovery”</td>
</tr>
<tr>
<td></td>
<td>We completed the China Phase I clinical trial of ISM001-055 in healthy volunteers</td>
</tr>
<tr>
<td></td>
<td>We received clinical trial approval from the NMPA for a Phase I clinical trial for ISM3312 for the treatment of COVID-19</td>
</tr>
</tbody>
</table>
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We announced a peptide-based drug design strategy and Generative Biologics at the PEGS Boston Conference</td>
</tr>
<tr>
<td></td>
<td>We received IND approval for a Phase IIa clinical trial of ISM001-055 for the treatment of IPF from the FDA</td>
</tr>
<tr>
<td></td>
<td>We received IND approval for a Phase I clinical trial of ISM3091 from the FDA.</td>
</tr>
<tr>
<td></td>
<td>We further nominated three PCCs</td>
</tr>
</tbody>
</table>

OUR SUBSIDIARIES

The principal business activities and the dates of incorporation of our subsidiaries during the Track Record Period are shown below.

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Place of incorporation</th>
<th>Date of incorporation</th>
<th>Principal business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insilico SubCo</td>
<td>Cayman Islands</td>
<td>November 19, 2018</td>
<td>Holding company</td>
</tr>
<tr>
<td>Insilico US</td>
<td>Delaware, United States</td>
<td>February 11, 2019</td>
<td>North American business operations, business development, R&amp;D collaboration and clinical trial operations</td>
</tr>
<tr>
<td>Insilico Hong Kong</td>
<td>Hong Kong</td>
<td>January 11, 2019</td>
<td>R&amp;D collaboration and Software solution</td>
</tr>
<tr>
<td>Mir Pharma</td>
<td>Hong Kong</td>
<td>June 1, 2021</td>
<td>Holding company</td>
</tr>
<tr>
<td>Insilico IP</td>
<td>Hong Kong</td>
<td>June 21, 2019</td>
<td>IP ownership</td>
</tr>
<tr>
<td>Insilico Taiwan</td>
<td>Taiwan</td>
<td>April 16, 2018</td>
<td>New drug discovery and business development</td>
</tr>
<tr>
<td>Insilico Canada</td>
<td>Canada</td>
<td>June 6, 2022</td>
<td>AI development and business development</td>
</tr>
<tr>
<td>Insilico AI</td>
<td>United Arab Emirates</td>
<td>July 29, 2022</td>
<td>AI development</td>
</tr>
</tbody>
</table>
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Place of incorporation</th>
<th>Date of incorporation</th>
<th>Principal business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insilico Shanghai</td>
<td>China</td>
<td>June 13, 2019</td>
<td>New drug discovery and R&amp;D collaboration</td>
</tr>
<tr>
<td>Insilico Suzhou</td>
<td>China</td>
<td>September 1, 2021</td>
<td>Research facility (laboratory) operations</td>
</tr>
</tbody>
</table>

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we consider to be material to us.

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

1. Establishment of Insilico Inc.

Our Group was founded by our founder, Mr. Alex Zhavoronkov, Ph.D. and commenced operations through Insilico Inc., a corporation established in Delaware, the United States, on February 10, 2014. The initial shareholder of Insilico Inc. was Pathway Pharmaceuticals, Limited, of which Mr. Alex Zhavoronkov, Ph.D. was a founder and director.

2. Series A preferred share financing of Insilico Inc. in June 2018

On June 1, 2018, Insilico Inc. entered into the series A preferred stock purchase agreement pursuant to which the Series A Investors agreed to subscribe for an aggregate of 904,888 series A preferred shares issued by Insilico Inc., at the price of US$6.63 per share, for an aggregate consideration of approximately US$6.0 million, which was fully settled on June 12, 2018. For details, see “— [REDACTED] Investments” in this section.

REORGANIZATION

Immediately prior to the commencement of the Reorganization, Insilico Inc. was the holding company of our Group. The following chart sets forth our Group’s corporate structure immediately prior to the commencement of the Reorganization:
In order to re-domicile our Group’s holding company from the United States to the Cayman Islands, we underwent the following Reorganization steps:

1. **Incorporation of our Company**

   On November 19, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of our Group, as part of the Reorganization. Upon incorporation, the authorized share capital of our Company was US$109,048,888 divided into 10,000,000 Ordinary Shares with a par value of US$0.00001 each, and 904,888 Preferred Shares with a par value of US$0.00001 each.

2. **Incorporation of Insilico SubCo**

   On November 19, 2018, Insilico SubCo was incorporated in the Cayman Islands as an exempted company with limited liability and an intermediate holding company of our Group, with our Company as the sole common shareholder. Our Company held all the common shares with a par value of US$1 issued by Insilico SubCo since its incorporation.

3. **Acquisition of assets of Insilico Inc. by Insilico SubCo**

   Effective on March 15, 2019, pursuant to a master contribution agreement entered into between Insilico SubCo and Insilico Inc., Insilico Inc. transferred all of its assets and business operations to Insilico SubCo in exchange for 1 preferred share issued by Insilico SubCo. Insilico Inc. has remained dormant since the completion of the Reorganization.

4. **Allotment and issuance of Shares of our Company to then existing shareholders of Insilico Inc.**

   For the purpose of reflecting and mirroring the then shareholding structure of Insilico Inc. before the Reorganization, on March 15, 2019, our Company entered into (i) subscription agreements with each of the then existing shareholders of Insilico Inc. (the “Pre-Reorganization Shareholders”), pursuant to which the Pre-Reorganization Shareholders agreed to purchase an aggregate of 6,288,327 Ordinary Shares, for a nominal consideration at par value of US$0.00001 per Ordinary Share, and (ii) a series A preferred share purchase agreement with, among others, the Series A Investors, pursuant to which the Series A Investors agreed to purchase an aggregate of 904,888 Series A Preferred Shares, for a nominal consideration at par value of US$0.00001 per Series A Preferred Share, with shareholding ratio and shareholder rights identical to the series A preferred shares issued by Insilico Inc..
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On March 15, 2019, the Company allotted in aggregate 6,288,327 Ordinary Shares and 904,888 Series A Preferred Shares to the Pre-Reorganization Shareholders or their nominees, in proportion to their then respective equity interests in Insilico Inc., as follows.

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number of Ordinary Shares Allotted</th>
<th>Number of Series A Preferred Shares Allotted</th>
<th>Corresponding shareholding interest in the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Alex Zhavoronkov, Ph.D.</td>
<td>3,187,886</td>
<td>–</td>
<td>44.32%</td>
</tr>
<tr>
<td>Deep Knowledge Ventures Limited (“DKV”)</td>
<td>1,349,513</td>
<td>–</td>
<td>18.76%</td>
</tr>
<tr>
<td>Juvenescence Limited</td>
<td>1,076,777</td>
<td>152,584</td>
<td>17.09%</td>
</tr>
<tr>
<td>WuXi PharmaTech Healthcare Fund I L.P. (“WuXi”)</td>
<td>–</td>
<td>316,713</td>
<td>4.40%</td>
</tr>
<tr>
<td>Palace Investments Pte. Ltd. (“Palace Investments”)</td>
<td>–</td>
<td>301,631</td>
<td>4.19%</td>
</tr>
<tr>
<td>Synaro Corporation (“Synaro”)</td>
<td>156,875</td>
<td>28,295</td>
<td>2.57%</td>
</tr>
<tr>
<td>Bold Capital Partners II, L.P. (“Bold Capital II”)</td>
<td>83,656</td>
<td>75,407</td>
<td>2.21%</td>
</tr>
<tr>
<td>Qingsong Zhu</td>
<td>125,000</td>
<td>–</td>
<td>1.74%</td>
</tr>
<tr>
<td>Garri Zmudze</td>
<td>98,047</td>
<td>–</td>
<td>1.36%</td>
</tr>
<tr>
<td>Galloway Limited</td>
<td>58,829</td>
<td>10,611</td>
<td>0.97%</td>
</tr>
<tr>
<td>James Mellon</td>
<td>39,219</td>
<td>7,073</td>
<td>0.64%</td>
</tr>
<tr>
<td>Ted M. Rout</td>
<td>23,550</td>
<td>4,247</td>
<td>0.39%</td>
</tr>
<tr>
<td>Agronomics Limited (formerly Port Erin Biopharma Investments Limited)</td>
<td>19,610</td>
<td>3,537</td>
<td>0.32%</td>
</tr>
<tr>
<td>Palingenetic, LLC</td>
<td>23,089</td>
<td>–</td>
<td>0.32%</td>
</tr>
<tr>
<td>Biomedical Research and Longevity Society, Inc.</td>
<td>9,804</td>
<td>–</td>
<td>0.14%</td>
</tr>
<tr>
<td>RyanChow Pty Ltd Super Fund (“RyanChow Super Fund”)</td>
<td>9,804</td>
<td>–</td>
<td>0.14%</td>
</tr>
<tr>
<td>BMH Capital Limited (“BMH Capital”)</td>
<td>4,903</td>
<td>884</td>
<td>0.08%</td>
</tr>
<tr>
<td>Bridget Jane Holmewood</td>
<td>4,903</td>
<td>884</td>
<td>0.08%</td>
</tr>
<tr>
<td>STBS Consultants Ltd. (“STBS Consultants”)</td>
<td>4,902</td>
<td>884</td>
<td>0.08%</td>
</tr>
<tr>
<td>Richard Redmond and Aileen Redmond (jointly)</td>
<td>4,902</td>
<td>884</td>
<td>0.08%</td>
</tr>
<tr>
<td>(formerly through Papertech Limited)</td>
<td>4,902</td>
<td>884</td>
<td>0.08%</td>
</tr>
<tr>
<td>Andrew Garazha</td>
<td>5,000</td>
<td>–</td>
<td>0.07%</td>
</tr>
<tr>
<td>Bruce Chou, RP</td>
<td>4,902</td>
<td>–</td>
<td>0.07%</td>
</tr>
<tr>
<td>A-level Capital I, L.P. (“A-level Capital”)</td>
<td>1,960</td>
<td>353</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

Total: 6,288,327  904,888  100%
The following chart sets forth our Group’s corporate structure immediately after the Company’s allotment of Common Shares and Series A Preferred Shares to the Pre-Reorganization Shareholders:

5. Redemption of one preferred share of Insilico SubCo

As part of the Series C Preferred Share financing, on June 30, 2021, the one preferred share of Insilico SubCo held by Insilico Inc. was fully redeemed at a total redemption price of approximately US$19.4 million. The following chart sets forth our Group’s corporate structure immediately following the redemption of the one preferred share of Insilico SubCo:
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Overview

We underwent the following rounds of [REDACTED] investments, details of which are set forth below.

<table>
<thead>
<tr>
<th>No.</th>
<th>Round</th>
<th>Date of share purchase agreement</th>
<th>Date of settlement of consideration (last payment)</th>
<th>Number of Shares subscribed for (USD)</th>
<th>Total funds raised by our Company (USD)</th>
<th>Post-money valuation of our Company (USD)</th>
<th>Cost per Share (USD)</th>
<th>Discount to the [REDACTED]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Series A(1)</td>
<td>June 1, 2018</td>
<td>June 12, 2018</td>
<td>904,888</td>
<td>6.0 million</td>
<td>54.4 million</td>
<td>6.63</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>2</td>
<td>Series B(3)</td>
<td>August 12, 2019</td>
<td>September 4, 2019</td>
<td>4,403,933</td>
<td>36.8 million</td>
<td>106.8 million</td>
<td>8.35</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>3</td>
<td>Series C1(4)(5)</td>
<td>June 16, 2021</td>
<td>July 6, 2021</td>
<td>3,001,366</td>
<td>68.2 million</td>
<td>570.3 million</td>
<td>22.73</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>4</td>
<td>Series C2(4)(5)</td>
<td>June 16, 2021</td>
<td>July 6, 2021</td>
<td>5,908,299</td>
<td>186.8 million</td>
<td>570.3 million</td>
<td>31.62</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>5</td>
<td>Series C+(4)</td>
<td>November 12, 2021</td>
<td>January 10, 2022</td>
<td>176,535 (C1) / 347,516 (C2)</td>
<td>15.0 million</td>
<td>585.3 million</td>
<td>22.73 (C1) / 31.62 (C2)</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>6</td>
<td>Series D(7)</td>
<td>May 13, 2022</td>
<td>May 23, 2022</td>
<td>1,539,594</td>
<td>60.2 million</td>
<td>860.2 million</td>
<td>39.12</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>7</td>
<td>Series D (Second Closing)(8)(9)</td>
<td>July 18, 2022</td>
<td>July 21, 2022</td>
<td>882,098</td>
<td>34.5 million</td>
<td>894.7 million</td>
<td>39.12</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

Notes:

(1) For the avoidance of doubt, in the case of our Series A Preferred Share financing, the information presented in this table reflects the details of the issuance of the Series A preferred shares by Insilico Inc. prior to the Reorganization, with the corresponding number of shares and shareholding of each shareholder of Insilico Inc. subsequently reflected in and mirrored to our Company as part of the Reorganization. For more details, see “ – Reorganization – 4. Allotment and issuance of shares of our Company to then existing shareholders of Insilico Inc.” in this section.

(2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK$[REDACTED] to HK$[REDACTED], assuming the [REDACTED] and the conversion of the Preferred Shares into Shares on a one-to-one basis have been completed prior to the [REDACTED].

(3) The difference between the valuation of our Company between the Series A Preferred Share financing and Series B Preferred Share financing was primarily due to (i) our PandaOmics and Chemistry42 platforms were validated; and (ii) we entered into a collaboration with a global pharmaceutical company in 2019 to use AI to predict clinical trial outcomes.

(4) The difference between the valuation of our Company between the Series B Preferred Share financing and Series C Preferred Share financing was primarily due to (i) our Company launched our PandaOmics and Chemistry42 platforms in 2020; and (ii) we nominated our Core Product as our first preclinical candidate.

(5) We entered into the Series C share purchase agreement on June 16, 2021, pursuant to which we issued both the C1 Preferred Shares and C2 Preferred Shares at different costs per Share to reflect the intentions of existing shareholders. As part of the Series C financing, in order to avoid further dilution, on June 16, 2021 the Company entered into agreements to repurchase 2,631,231 Ordinary Shares, 173,805 Series A Preferred Shares and 196,329 Series B Preferred Shares from the respective Shareholders (including Mr. Alex Zhavoronkov, Ph.D. and certain employees), and re-designate all such shares to Series C Preferred Shares through retiring the repurchased shares accompanied with the issuance of the same number of Series C Preferred Shares. The repurchase price was US$22.13, US$25.29 and US$28.46 per share for Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares, respectively. Out of the total repurchase price, approximately US$12.6 million was paid by Insilico Inc. using the proceeds received as a result of the redemption of one preferred share of Insilico SubCo, and the approximately US$55.6 million remaining was paid by the Company. The repurchase and redemption payments were fully settled on July 9, 2021.

(6) We entered into the Series C+ share purchase agreement on November 12, 2021, pursuant to which we issued both the C1 Preferred Shares and C2 Preferred Shares to the Series C+ Investor at the same cost per Share as the Series C1 Investors and Series C2 Investors.
The difference between the valuation of our Company between the Series C Preferred Share financing and Series D Preferred Share financing was primarily due to (i) our Company nominated seven new preclinical candidates using our AI platform; (ii) we began Phase I trials for our Core Product in New Zealand in February 2022; and (iii) we entered into a strategic collaboration with Fosun in November 2021.

The difference between the valuation of our Company between the Series D Preferred Share financing and Series D Preferred Share (Second Closing) financing was primarily due to the fact that our Company began a Phase 1 trial for our Core Product in China in July 2022 evidenced by the first healthy volunteer dosing in.

The difference between the valuation of our Company between the Series D Preferred Share (Second Closing) financing and the [REDACTED] was primarily due to our Company (i) completed the New Zealand Phase I clinical trial of ISM001-055 in healthy volunteers; (ii) completed the China Phase I clinical trial of ISM001-055 in healthy volunteers; (iii) received clinical trial approval from the NMPA for Phase I clinical trials for ISM3312 for the treatment of COVID-19; (iv) received IND approval for a Phase IIa clinical trial of ISM001-055 for the treatment of IPF from the FDA; (v) received IND approval for Phase I clinical trial of ISM3091 from the FDA; and (vi) further nominated three PCCs.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Other Principal Terms of the [REDACTED] Investments

Basis of determining the consideration paid . . . . . . . . . . . . The consideration for the [REDACTED] Investments were determined based on arm’s length negotiations between the Company and the [REDACTED] Investors after taking into consideration the timing of the investments and the status of our business.

Lock-up . . . . . . . . . . . . . . . . . . . . Pursuant to the Third Amended and Restated Right of First Refusal and Co-Sale Agreement entered into among the then Shareholders of our Company on May 20, 2022, and various adoption agreements entered into between our Company and the [REDACTED] Investors who became our Shareholders after May 20, 2022, the [REDACTED] Investors shall not, without the prior written consent of the managing [REDACTED] of the [REDACTED], transfer any Shares of our Company during a period not to exceed 180 days commencing on the date of [REDACTED].

Use of proceeds from the [REDACTED] Investments . . . . . . . . . . . . We utilized the proceeds for funding pre-clinical and clinical research and development of our Core Product and other drug candidates, development and expansion of our robotics lab, development of our generative AI-platform, working capital and other general corporate purposes. As of the Latest Practicable Date, approximately 62% of the net proceeds from the [REDACTED] Investments has been utilized.

Strategic benefit from the [REDACTED] Investments to our Group . . . . . . . . . . . . At the time of each of the [REDACTED] Investments, our Directors were of the view that our Company could benefit from the [REDACTED] Investors’ investment knowledge and experience in healthcare sectors and the [REDACTED] Investments demonstrated the [REDACTED] Investors’ confidence in the operation and development of our Group.

Special Rights of the [REDACTED] Investors

Our Company and, among others, the [REDACTED] Investors entered into certain agreements (“Shareholders’ Agreements”) including but not limited to the Investors’ Rights Agreement and the Voting Agreement, pursuant to which certain shareholder rights were agreed among the parties. Pursuant to the Shareholders’ Agreements and the then memorandum and articles of association of our Company, certain [REDACTED] Investors were granted, among other rights, (i) information rights; (ii) the right to elect directors; (iii) registration rights; (iv) right of first-refusal; (iv) right of co-sale; (v) redemption rights; (vi) prior consent to corporate actions; and (vii) liquidation preferences.

(i) The redemption rights under the Investors’ Rights Agreement and (ii) the drag-along rights given in connection with such redemption rights under the Voting Agreement (the “Redemption and Drag-along Rights”) have ceased to be effective immediately before our Company’s submission of [REDACTED] for the [REDACTED] of our Shares on the Stock Exchange (the “[REDACTED]”). The Redemption and Drag-along Rights shall be automatically reinstated upon the earliest of: (i) the return or rejection of the [REDACTED] from the Stock Exchange; (ii) the Company serving a notice of withdrawal of the [REDACTED]
[REDACTED] to the Stock Exchange; (iii) the non-renewal of the [REDACTED] to the Stock Exchange within six months after the [REDACTED] has lapsed; or (iv) the failure by the Company to achieve a qualified [REDACTED] as defined in the Shareholders’ Agreements within 12 months after the effective date of the sixth amended and restated memorandum and articles of association of our Company, being June 27, 2023.

No special rights granted to the [REDACTED] Investors will survive after the [REDACTED].

Compliance with Interim Guidance and Guidance Letters


Information about the [REDACTED] Investors

Our [REDACTED] Investors include certain Sophisticated Investors identified pursuant to the Guidance Letter HKEX-GL92-18 issued by the Stock Exchange, namely Qiming Venture Partners (“Qiming”) entities and Lilly Asia Ventures (“LAV”) entities. The background information of our [REDACTED] Investors is set out below.

Qiming entities

QVP VI, L.P. (“QVP VI”) and QMD VI, L.P. (“QMD VI”)

QVP VI and QMD VI are exempted limited partnerships registered in the Cayman Islands. Qiming GP VI, L.P. is the general partner of QVP VI, whereas Qiming Corporate GP VI, Ltd. is the general partner of both QVP VI, L.P. and QMD VI. To the best of our knowledge, information and belief, each of QVP VI and QMD VI, their respective general partners and limited partners is an Independent Third Party.

QVP VII, L.P. (“QVP VII”) and QVP VII Strategic Investors Fund, L.P. (“SIF VII”)

QVP VII and SIF VII are exempted limited partnerships registered in the Cayman Islands. Qiming GP VII, LLC is the general partner of both QVP VII and SIF VII. To the best of our knowledge, information and belief, each of QVP VII and SIF VII, their respective general partners and limited partners is an Independent Third Party.

QVP VI, QMD VI, QVP VII and SIF VII are venture capital funds which are operated under Qiming Venture Partners, focusing on investments in companies in the technology & consumer and healthcare sectors across China and are Sophisticated Investors which have made meaningful investment in the Company more than six months before the [REDACTED] for the purpose of paragraph 3.2(g) of Guidance Letter HKEX-GL92-18 issued by the Stock Exchange.

Qiming Venture Partners is a leading venture capital firm with over US$9.4 billion of assets under management. Its portfolio companies include some of today’s most influential brands in their respective sectors, such as Xiaomi Corporation (HKSE: 1810), Meituan (HKSE: 3690), Beijing Roborock Technology Co., Ltd. (SSE: 688169), Bilibili Inc. (NASDAQ: BILI, HKSE: 9626), Gan & Lee Pharmaceuticals (SSE: 603087), Venus Medtech (Hangzhou) Inc. (HKSE: 2500), Hangzhou Tigermed Consulting Co., Ltd. (SZSE: 300347, HKSE: 3347), Zai Lab Limited (NASDAQ: ZLAB, HKSE: 9688) and CanSino Biologics Inc. (HKSE: 6185, SSE: 688185).
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

LAV entities

LAV Biosciences Fund V, L.P. ("LAV Biosciences Fund V")

LAV Biosciences Fund V is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Biosciences Fund V is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

LAV Fund VI, L.P. ("LAV Fund VI")

LAV Fund VI is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Fund VI is LAV GP VI, L.P., whose general partner is LAV Corporate VI GP, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

LAV Fund VI Opportunities, L.P. ("LAV Fund VI Opportunities")

LAV Fund VI Opportunities is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Fund VI Opportunities is LAV GP VI Opportunities, L.P., whose general partner is LAV Corporate VI GP Opportunities, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

LAV Biosciences V, LAV Fund VI and LAV Fund VI Opportunities are the investment arms of LAV, it is a leading Asia-based life science investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. LAV is managed by a team of professionals with substantial biomedical domain expertise, as well as extensive investing experiences. LAV has invested in multiple biotech companies including CanSino Biologics Inc. (HKSE: 6185), Jacobio Pharmaceuticals Group Co., Ltd. (HKSE: 1167), RemeGen Co., Ltd. (HKSE: 9995) and New Horizon Health Limited (HKSE: 6606).

LAV is a Sophisticated Investor which has made meaningful investment in the Company more than six months before the [REDACTED] for the purpose of paragraph 3.2(g) of Guidance Letter HKEX-GL92-18 issued by the Stock Exchange.

Mr. Alex Zhavoronkov, Ph.D.

Mr. Alex Zhavoronkov, Ph.D. is our Company’s founder, chairman of the Board, executive Director and CEO. For more information on Mr. Alex Zhavoronkov, Ph.D., please see the section headed “Directors and Senior Management.”

Deep Knowledge entities

DKV

DKV is a limited company incorporated under the laws of Hong Kong, and is wholly owned by Dmitrii Caminschii, who is an Independent Third Party.

Deep Knowledge AI Technologies Ltd ("DKAIT")

DKAIT is a company incorporated under the laws of the British Virgin Islands. The largest shareholder of DKAIT is Dmitrii Caminschii, who is an Independent Third Party.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

BRLS

BRLS is a nonprofit organization established under the laws of the State of Florida, formed exclusively to advance social welfare purposes including conducting, promoting, encouraging and funding research and study in the fields of cryobiology, interventive gerontology and cryonics.

Palingenetic, LLC

Palingenetic, LLC is a limited liability company established under the laws of the State of Nevada, and is wholly owned by William Gelpi, an Independent Third Party.

A-level Capital

A-level Capital is a limited partnership established under the laws of the State of Delaware. The general partner of A-level Capital is A-Level Capital GP, LLC., which is an Independent Third Party.

BMH Capital

BMH Capital is a limited company established under the laws of Hong Kong, with Paul Barton, Phil Holmewood, David Millhouse and Jonathan Broughton as its shareholders, each of whom are Independent Third Parties.

BOLD Capital Partners entities

Bold Capital II

Bold Capital II is a limited partnership organized under the laws of the State of Delaware. Bold Capital II is managed by Bold Capital Management II, LLC, which is in turn managed by BOLD Management Partners, LLC, which is an Independent Third Party.

Bold Capital Partners Select, LP (“Bold Capital Select”)

Bold Capital Select is a limited partnership established under the laws of the State of Delaware. The general partner of Bold Capital Select is BOLD Capital Management Select, LLC, which is in turn managed by BOLD Management Partners, LLC, which is an Independent Third Party.

Bridget Jane Holmewood

Bridget Jane Holmewood is the Enterprise GTM General Manager at Telstra Health, and is an Independent Third Party.

Richard Redmond and Aileen Redmond

Richard Redmond and Aileen Redmond are retired directors of other companies, and each is an Independent Third Party.

RyanChow Super Fund

RyanChow Super Fund is a self-managed superannuation fund established under the laws of Australia. The trustee of RyanChow Super Fund is Ryanchow Pty Ltd, which is in turn wholly owned by Julian Chow and Kerry Chow, each of whom are Independent Third Parties.
STBS Consultants

STBS Consultants is a holding company established under the laws of the Bahamas. STBS Consultants is wholly owned by the FFFF Foundation, which is in turn a private interest foundation established under the laws of the Republic of Panama with the descendants of Richard H. Harrison and Frances J. Y. Harrison as the beneficiaries.

Synaro

Synaro is a corporation established under the laws of the State of Delaware. Synaro is controlled by Vchive Union Limited, a British Virgin Islands registered limited entity focusing on investing in high technology start-ups, which is an Independent Third Party.

Ted M. Routt

Ted M. Routt is a retired IT professional who formerly worked as an Application Development Manager for United Parcel Service, Inc., and is an Independent Third Party.

Palace Investments

Palace Investments is an indirectly wholly-owned subsidiary of Pavilion Capital Holdings Pte. Ltd. (“Pavilion Capital”), which in turn is an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”). Pavilion Capital is independently managed. Temasek is not involved in the business or operating decisions of Pavilion Capital or Palace Investments, including their decisions in relation to our Group.

WuXi

WuXi is a limited partnership incorporated under the laws of the Cayman Islands. The general partner of WuXi is WuXi ParmaTech Fund I General Partner L.P., and its sole limited partner is WuXi AppTec (Hong Kong) Holding Limited. Each of WuXi ParmaTech Fund I General Partner L.P. and WuXi AppTec (Hong Kong) Holding Limited are indirect wholly owned subsidiaries of WuXi AppTec Co., Ltd. (SSE: 603259; HKSE: 2359), which is listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange.

Sinovation entities

Sinovation Fund IV, L.P. (“Sinovation Fund IV”)

Sinovation Fund IV is an exempted limited partnership incorporated under the laws of the Cayman Islands, with its general partner being Sinovation Fund Management IV, L.P. (“Sinovation Fund Management IV”). Sinovation Fund IV GP, Ltd. (“Sinovation Fund IV GP”) is the general partner of Sinovation Fund Management IV, which is an Independent Third Party.

SV China Healthcare Fund, L.P. (“SV China”)

SV China is a limited partnership incorporated under the laws of the Cayman Islands, with its general partner being SV China Healthcare Holding, Ltd., which is an Independent Third Party.

Bruce Chou, RP

Bruce Chou, RP is a qualified retirement account under the laws of the United States, of which Bruce Chou is the sole trustee. The beneficiaries are Bruce Chou and Charlotte Bottrell, each of whom are Independent Third Parties.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

**Baidu Ventures, L.P. ("Baidu Ventures")**

Baidu Ventures is an exempted limited partnership registered in the Cayman Islands and a venture capital investment arm of Baidu, Inc. (NASDAQ: BIDU; HKSE: 9888), which is listed on NASDAQ Global Market and the Main Board of the Hong Kong Stock Exchange.

**Longevity Vision Fund I, LP ("Longevity Fund I")**

Longevity Fund I is a Delaware incorporated private fund providing venture funding to and holding investments in health tech, longevity and biotech companies. Longevity Vision Fund I GP, LLC is the general partner of Longevity Fund I, which is in turn wholly owned by Dmitry Vorontsov, an Independent Third Party. Amerigo Worldwide Limited is a limited partner of Longevity Fund I, holding more than 30% partnership interest. The sole beneficiary of Amerigo Worldwide Limited is Anthony Miles, who is an Independent Third Party.

**Eight Roads entities**

**ERVC Healthcare IV, L.P. ("ERVC Healthcare IV")**

ERVC Healthcare IV is an exempted limited partnership registered under the laws of Bermuda. The general partner of ERVC Healthcare IV, L.P. is ERVC Healthcare Advisors IV LP, and the general partner of ERVC Healthcare Advisors IV LP is Eight Roads GP.

**ERVC Technology IV LP ("ERVC Technology IV")**

ERVC Technology IV is an exempted limited partnership registered under the laws of Bermuda. The general partner of ERVC Technology IV LP is ERVC Technology Advisors IV LP, and the general partner of ERVC Technology Advisors IV LP is Eight Roads GP.

**Eight Roads Ventures Japan II L.P. ("Eight Roads Japan II")**

Eight Roads Ventures Japan II is an exempted limited partnership registered under the laws of Bermuda. The general partner of Eight Roads Ventures Japan II LP is Eight Roads Ventures Japan Advisors II LP, and the general partner of Eight Roads Ventures Japan Advisors II LP is Eight Roads GP.

Each of ERVC Healthcare IV, ERVC Technology IV and Eight Roads Japan II is part of Eight Roads, a global proprietary investment firm backed by Fidelity, which mainly focuses on private investments in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech, consumer/consumer tech) sectors in China and globally. Eight Roads is an Independent Third Party.

Eight Roads GP is indirectly wholly owned by Eight Roads Holdings Limited and Eight Roads Holdings Limited is owned as to more than one-third by Eight Roads Shareholdings Limited and Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. Therefore, under the SFO, each of Eight Roads Shareholdings Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is deemed to be interested in the Shares in which Eight Roads Holdings Limited is interested.

**F-Prime Capital Partners Life Sciences Fund VI LP ("F-Prime Capital Fund VI")**

F-Prime Capital Fund VI is a limited partnership established under the laws of the State of Delaware. F-Prime Capital Fund VI is a global venture capital fund and it and its affiliated funds invest in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech) sections in the U.S., Europe and Asia. The general partner of F-Prime Capital Fund VI is F-Prime Capital Partners Life Sciences Advisors Fund VI LP, which is solely managed by Impresa Management LLC, as its investment manager and the managing member of its general partner.
**Tubus LLC ("Tubus")**

Tubus is a limited liability company established under the laws of the State of Delaware. Tubus is wholly owned by The Michael Antonov 2014 Delaware Trust. The sole manager of Tubus is Michael Antonov, an Independent Third Party.

**Michael Antonov Charitable Foundation Inc. ("Michael Antonov Charitable Foundation")**

Michael Antonov Charitable Foundation is a nonprofit public benefit corporation established under the laws of the State of California, and is solely managed by Michael Antonov, an Independent Third Party.

**Formic Ventures ("Formic Ventures")**

Formic Ventures is a limited liability company established under the laws of the State of Delaware. Formic Ventures is a wholly owned subsidiary of Tubus.

**Mesolite Gem Investments Ltd ("Mesolite")**

Mesolite is an exempted company incorporated under the laws of the Cayman Islands with limited liability on March 12, 2021. Mesolite is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Mesolite is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. The general partner of Warburg Pincus China-Southeast Asia II (Cayman), L.P. is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P., the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC ("WPC-SEA II Cayman GP LLC"). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd.

**SCC Growth VI Holdco E, Ltd. ("Sequoia Capital China Growth")**

Sequoia Capital China Growth is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Sequoia Capital China Growth is wholly owned by Sequoia Capital China Growth Fund VI, L.P. ("Sequoia Capital China GVI Fund"). The general partner of Sequoia Capital China GVI Fund is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited, a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and is an Independent Third Party.

**B Capital Group entities**

**B Capital China III - LLC ("B Capital China III")**

B Capital China III is a limited liability company registered in the Cayman Islands. It is controlled by B Capital Fund II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. B Capital Fund II, L.P. is managed by B Capital Group Management, L.P.. B Capital Fund II, L.P. focuses on investing in technology-enabled retail, transportation, financial services, and healthcare sectors, and is an Independent Third Party.

**B Capital (China) I HoldCo IV Pte. Ltd. ("B Capital (China) I")**

B Capital (China) I is a private company limited by shares incorporated under the laws of Singapore. It is controlled by B Capital China I, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. B Capital China I, L.P. is managed by B Capital Group Management, L.P.. B Capital China I, L.P. focuses on investing in high-growth startups within the enterprise technology, industrial technology, digital health and life science sectors, and is an Independent Third Party.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Deerfield entities

Deerfield Partners, L.P. (“Deerfield Partners”)

Deerfield Partners is a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Partners is Deerfield Mgmt, L.P., a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Mgmt, L.P. is J. E. Flynn Capital, LLC, a limited liability company established under the laws of the State of Delaware. The sole member of J. E. Flynn Capital, LLC is James E. Flynn, who is an Independent Third Party.

Deerfield Private Design Fund V, L.P. (“Deerfield Private Design Fund V”)

Deerfield Private Design Fund V is a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Private Design Fund V is Deerfield Mgmt V, L.P., a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Mgmt V, L.P. is J. E. Flynn Capital V, LLC, a limited liability company established under the laws of the State of Delaware. The sole member of J. E. Flynn Capital V, LLC is James E. Flynn, who is an Independent Third Party.

Mirae entities

Mirae Asset Growth 6 Investment Company Limited (“Mirae Asset Growth 6”)

Mirae Asset Growth 6 is a company established under the laws of the British Virgin Islands. Mirae Asset Growth 6 is wholly owned by Mirae Asset Growth Investment Company Limited, a company established under the laws of the British Virgin Islands, which is in turn wholly owned by Mirae Asset Global Investments (Hong Kong) Limited, a limited company established under the laws of Hong Kong. To the best of our knowledge, information and belief, each of Mirae Asset Growth 6, Mirae Asset Growth Investment Company Limited and Mirae Asset Global Investments (Hong Kong) Limited is an Independent Third Party.

Mirae Asset New Economy Fund L.P. (“Mirae Asset New Economy”)

Mirae Asset New Economy is an exempted limited partnership registered in the Cayman Islands. Its general partner is Mirae Asset General Partners, an exempted company established under the laws of the Cayman Islands, which, to the best of our knowledge, information and belief, is an Independent Third Party.

Mirae Asset Sage New Technology Investment Fund I (“Mirae Asset Sage Fund I”)

Mirae Asset Sage Fund I is a limited partnership established under the laws of the Republic of Korea. The general partner of Mirae Asset Sage Fund I is Mirae Asset Capital Co., Ltd., while Mirae Asset Securities Co., Ltd. is a limited partner with 84.9% partnership interest. Each of Mirae Asset Sage Fund I and Mirae Asset Capital Co., Ltd. are Independent Third Parties.

Mirae Asset Global Innovation Fund I (“Mirae Innovation Fund I”)

Mirae Asset Innovation Fund I is a limited partnership established under the laws of the Republic of Korea. The general partner of Mirae Asset Innovation Fund I is Mirae Asset Capital Co., Ltd., while Mirae Asset Securities Co., Ltd. is a limited partner with 84.8% partnership interest. Each of Mirae Innovation Fund I, Mirae Asset Capital Co., Ltd. and Mirae Asset Securities Co., Ltd. are Independent Third Parties.
President (BVI) International Investment Holdings Ltd ("President")

President is a company established under the laws of the British Virgin Islands. President is a wholly owned subsidiary of President International Development Corp., which is in turn owned as to approximately 69.37% by Uni-President Enterprises Corporation (統一企業股份有限公司) (TWSE: 1216), which is listed on the Taiwan Stock Exchange.

LBC Sunshine Healthcare Fund II L.P. ("LBC Sunshine Fund II")

LBC Sunshine Fund II is an exempted limited partnership registered in the Cayman Islands managed by Lake Bleu Capital (Hong Kong) Limited. Its general partner is LBC GP II Limited, an exempted company incorporated in the Cayman Islands, which is an Independent Third Party. LBC Sunshine Fund II is a professional investor specializing in investing in healthcare companies in Asia and the Greater China. The investment scope of LBC Sunshine Fund II includes pharmaceuticals, biotech, medical devices, and healthcare services. Each of LBC Sunshine Fund II, Lake Bleu Capital (Hong Kong) Limited and LBC GP II Limited are Independent Third Parties.

CYX Technology Investment Limited ("CYX Technology")

CYX Technology is a limited liability company established under the laws of the British Virgin Islands. CYX Technology is wholly owned by CPE Global Opportunities Fund II, L.P., an exempted limited partnership formed under the laws of Cayman Islands, whose general partner is CPE GOF GP Limited, a company incorporated in the Cayman Islands with limited liability. CPE GOF GP Limited is directly and wholly owned by CPE Management International Limited, which is in turn wholly owned by CPE Management International II Limited, both of which are companies incorporated in Cayman Islands with limited liability and are Independent Third Parties.

Hillhouse entities

Each of MSPR III Holdings Limited ("MSPR III") and GSUM VI Holdings Limited ("GSUM VI") is a exempted company with limited liability incorporated under the laws of Cayman Islands. Both MSPR III and GSUM VI are ultimately managed and controlled by Hillhouse Investment Management, Ltd. ("Hillhouse Investment"), an exempted company incorporated under the laws of Cayman Islands.

Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse’s investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.

OrbiMed Asia Partners IV, L.P. ("OrbiMed")

OrbiMed is an exempted limited partnership established under the laws of the Cayman Islands. OrbiMed’s general partner is OrbiMed Asia GP IV, L.P. ("OAP IV GP"), and OAP IV GP’s general partner is OrbiMed Advisors IV Limited ("OAP IV Limited"). The directors of OAP IV Limited are Sven Borho, Carl Gordon, David Bonita, W. Carter Neild, Sunny Sharma, and David Wang, each of whom are Independent Third Parties.

MS Sublime Limited ("MS Sublime")

MS Sublime is an investment holding company established under the laws of Hong Kong, which is wholly owned by Maison Capital Fund LP (Cayman Islands) ("Maison Capital"), an exempted limited
partnership established in the Cayman Islands, the general partner of which is Maison Capital GP LP (Cayman Islands), and the limited partner of which is Mr. WU Wei (吳偉). The general partner of Maison Capital GP LP (Cayman Islands) is Maison Capital GP Limited (Cayman Islands), which is owned by Mr. CUI Wenli (崔文立), Mr. WU Wei (吳偉) and Mr. TIAN Zirui (田子睿) as to 40%, 30% and 30%, respectively, each of whom are Independent Third Parties. Maison Capital is a private equity fund management institute with assets under management of approximately US$200 million focusing on investment in industries covering consumption, healthcare and technology.

**WS Investment Company, LLC (“WS Investment”)**

WS Investment is a limited liability company established under the laws of the State of Delaware. WS Investment Management Company, the Managing Member of WS Investment, is a wholly owned subsidiary of Wilson Sonsini Goodrich & Rosati, which is an Independent Third Party.

**Sage Partners Alpha 1 L.P. (“Sage Partners”)**

Sage Partners is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of Sage Partners is Sage Partners Private Fund, which is an Independent Third Party. Sage Partners is a pooled-investment fund with Sage Partners Limited as the investment manager. Sage Partners Limited is licensed by the SFC to carry out type 9 regulated activities, and mainly focuses on investment opportunities in the healthcare sector by deploying a long-term fundamental-based approach. Each of Sage Partners, Sage Partners Private Fund and Sage Partners Limited are Independent Third Parties.

**Anchor International Limited (“Anchor”)**

Anchor is a company established under the laws of the British Virgin Islands. Anchor is a wholly owned subsidiary of Antibiotics Hong Kong International Limited, which is in turn a wholly owned subsidiary of Qilu Pharmaceutical Group Co., Ltd, which is an Independent Third Party.

**Dream Team Ventures Limited (“Dream Team Ventures”)**

Dream Team Ventures is a limited company established under the laws of the British Virgin Islands, and is wholly owned by an individual who is an Independent Third Party.

**Fosun**

Fosun is company incorporated in Hong Kong with limited liability, and is a wholly owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) (SSE: 600196; HKSE: 2196), whose H shares and A shares are listed and traded on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively.

**SMALLCAP World Fund, INC. (“SMALLCAP”)**

SMALLCAP is a registered investment company incorporated in the State of Maryland, United States. Capital Research and Management Company (“CRMC”), an investment management firm incorporated in the State of Delaware, United States, serves as the investment adviser to SMALLCAP. CRMC is a wholly owned subsidiary of The Capital Group Companies, Inc.

**Sino Biopharmaceutical Limited (“Sino Biopharm”)**

Sino Biopharm is a limited liability company incorporated in the Cayman Islands and is listed on the Main Board of the Hong Kong Stock Exchange (HKSE: 1177).
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

BHR Investment Fund X, L.P. (“BHR Investment Fund X”)

BHR Investment Fund X is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of BHR Investment Fund X is BHR (Cayman) GP II, Limited, while CAM Dragon Fund holds 60% partnership interest. CAM Dragon Fund is a wholly owned subsidiary of Complus Investment Ltd, which is in turn a subsidiary of Complus Holdings Ltd. Complus Holdings Ltd is wholly owned by Kwok Ching Kam, who is an Independent Third Party.

Aramco Ventures Investments Limited (“Aramco Ventures”)

Aramco Ventures is a company established under the laws of Guernsey. Aramco Ventures is wholly owned by Aramco Ventures Holdings Limited, which is in turn wholly owned by Saudi Aramco Energy Ventures LLC, which is in turn wholly owned by Saudi Arabian Oil Company (Saudi Aramco), whose shares are listed on the Saudi Stock Exchange (TADAWUL: 2222).

PUBLIC FLOAT

Shares held by the existing Shareholders (except for Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D., who are Directors of our Company, and Yen-Chu Lin, who is a director of Insilico Taiwan, a subsidiary of our Group) will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Over [REDACTED] of our Company’s total issued Shares with a [REDACTED] of substantially over HK$[REDACTED] will be held by the public upon completion of the [REDACTED] and the [REDACTED] in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.
CAPITALIZATION

The below table summarizes the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and no further Shares are issued under the [REDACTED] Equity Incentive Plans).

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary Shares</th>
<th>Series A Preferred Shares</th>
<th>Series B Preferred Shares</th>
<th>Series C Preferred Shares</th>
<th>Series D Preferred Shares</th>
<th>Aggregate number of Shares as of the Latest Practicable Date</th>
<th>Aggregate shareholding percentage as of the Latest Practicable Date</th>
<th>Aggregate number of Shares upon the completion of the [REDACTED]</th>
<th>Aggregate shareholding percentage upon the completion of the [REDACTED]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Alex Zhavoronkov, Ph.D.</td>
<td>2,115,116</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14,059</td>
<td>2,129,175</td>
<td>10.32%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>DKV</td>
<td>142,513</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>142,513</td>
<td>0.69%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>DKA IT</td>
<td>385,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>385,000</td>
<td>1.87%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>A-level Capital</td>
<td>1,960</td>
<td>353</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,313</td>
<td>0.01%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>BMH Capital</td>
<td>4,903</td>
<td>884</td>
<td>3,039</td>
<td>2,630</td>
<td>–</td>
<td>11,456</td>
<td>0.06%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Bridget Jane Holme wood</td>
<td>4,903</td>
<td>884</td>
<td>3,039</td>
<td>2,630</td>
<td>–</td>
<td>11,456</td>
<td>0.06%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Bruce Chou, RP</td>
<td>4,902</td>
<td>–</td>
<td>2,574</td>
<td>2,630</td>
<td>2,556</td>
<td>20,032</td>
<td>0.10%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Biomedical Research and Longevity Society, Inc. (formerly Life Extension Foundation)</td>
<td>4,902</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,902</td>
<td>0.02%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Palingenetic, LLC</td>
<td>23,089</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23,089</td>
<td>0.11%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Richard Redmond and Aileen Redmond</td>
<td>4,902</td>
<td>884</td>
<td>3,038</td>
<td>2,630</td>
<td>–</td>
<td>11,454</td>
<td>0.06%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>RyanChow Super Fund</td>
<td>5,000</td>
<td>901</td>
<td>3,099</td>
<td>–</td>
<td>–</td>
<td>9,000</td>
<td>0.04%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>STBS Consultants</td>
<td>4,902</td>
<td>884</td>
<td>–</td>
<td>771</td>
<td>–</td>
<td>6,537</td>
<td>0.03%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Synaro</td>
<td>100,000</td>
<td>28,295</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>128,295</td>
<td>0.62%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Ted M Rutt</td>
<td>23,550</td>
<td>4,247</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27,797</td>
<td>0.13%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>WuXi</td>
<td>–</td>
<td>316,713</td>
<td>838,564</td>
<td>174,710</td>
<td>–</td>
<td>1,329,987</td>
<td>6.45%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Palace Investments</td>
<td>–</td>
<td>301,631</td>
<td>239,589</td>
<td>698,735</td>
<td>12,781</td>
<td>1,252,736</td>
<td>6.07%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Bold Capital II</td>
<td>83,656</td>
<td>75,407</td>
<td>419,282</td>
<td>78,607</td>
<td>–</td>
<td>656,952</td>
<td>3.18%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Bold Capital Select</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>131,013</td>
<td>6,390</td>
<td>137,403</td>
<td>0.67%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>QVP VI</td>
<td>–</td>
<td>–</td>
<td>816,591</td>
<td>340,213</td>
<td>–</td>
<td>1,156,804</td>
<td>5.61%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>QMD VI</td>
<td>–</td>
<td>–</td>
<td>21,973</td>
<td>9,155</td>
<td>–</td>
<td>31,128</td>
<td>0.15%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>QVP VII</td>
<td>–</td>
<td>–</td>
<td>346,177</td>
<td>65,854</td>
<td>412,031</td>
<td>2.00%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td></td>
</tr>
<tr>
<td>SIF VII</td>
<td>–</td>
<td>–</td>
<td>3,190</td>
<td>607</td>
<td>3,797</td>
<td>0.02%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td></td>
</tr>
<tr>
<td>LAV Biosciences Fund V</td>
<td>–</td>
<td>359,384</td>
<td>104,810</td>
<td>–</td>
<td>–</td>
<td>464,194</td>
<td>2.25%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>LAV Fund VI</td>
<td>–</td>
<td>–</td>
<td>209,620</td>
<td>–</td>
<td>–</td>
<td>209,620</td>
<td>1.02%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>LAV Fund VI Opportunities</td>
<td>–</td>
<td>–</td>
<td>209,620</td>
<td>–</td>
<td>–</td>
<td>209,620</td>
<td>1.02%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Shareholder</td>
<td>Ordinary Shares</td>
<td>Preferred Shares</td>
<td>Aggregate number of Shares as of the Latest Practicable Date</td>
<td>Aggregate Shareholding Percentage as of the Latest Practicable Date</td>
<td>Aggregate number of Shares upon the completion of [REDACTED]</td>
<td>Aggregate Shareholding Percentage upon the completion of [REDACTED]</td>
<td></td>
<td></td>
<td></td>
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<tr>
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</tr>
<tr>
<td>Sinovation Fund IV</td>
<td></td>
<td></td>
<td>481,416</td>
<td>2.35%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SV China</td>
<td></td>
<td></td>
<td>104,810</td>
<td>0.51%</td>
<td>104,810</td>
<td>0.51%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tubos</td>
<td></td>
<td></td>
<td>359,384</td>
<td>1.74%</td>
<td>359,384</td>
<td>1.74%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Michael Antonov Charitable Foundation</td>
<td></td>
<td></td>
<td>59,897</td>
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<td>299,487</td>
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<tr>
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<td>[REDACTED]</td>
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<td>ERVC Healthcare IV</td>
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<td>ERVC Technology IV</td>
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<tr>
<td>F-Prime Capital Fund VI</td>
<td></td>
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<tr>
<td>Mesolite</td>
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<td>380,612</td>
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<tr>
<td>Sequoia Capital China Growth</td>
<td></td>
<td></td>
<td>174,684</td>
<td>0.85%</td>
<td>174,684</td>
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<tr>
<td>Sequoia Capital China Growth</td>
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<td>0.85%</td>
<td>174,684</td>
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<tr>
<td>B Capital China III</td>
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<td>59,897</td>
<td>0.29%</td>
<td>59,897</td>
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<tr>
<td>B Capital China III</td>
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<tr>
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<td></td>
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<td>Deerfield Partners</td>
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<tr>
<td>Minerva New Economy</td>
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<td>59,897</td>
<td>0.29%</td>
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<td>Minerva New Economy</td>
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<td>59,897</td>
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<tr>
<td>President</td>
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<td>0.85%</td>
<td>174,684</td>
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<tr>
<td>President</td>
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<td>174,684</td>
<td>0.85%</td>
<td>174,684</td>
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<tr>
<td>LBC Sunshine</td>
<td></td>
<td></td>
<td>119,794</td>
<td>0.58%</td>
<td>119,794</td>
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<td>LBC Sunshine</td>
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<td>0.58%</td>
<td>119,794</td>
<td>0.58%</td>
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<tr>
<td>CYX Technology</td>
<td></td>
<td></td>
<td>1,747,926</td>
<td>9.71%</td>
<td>1,747,926</td>
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<td>CYX Technology</td>
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<tr>
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<td>MPR III</td>
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<tr>
<td>GSUM VI</td>
<td></td>
<td></td>
<td>69,246</td>
<td>0.34%</td>
<td>69,246</td>
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<tr>
<td>GSUM VI</td>
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<td>69,246</td>
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<td>MS Sublime</td>
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<td>59,897</td>
<td>0.29%</td>
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<td>MS Sublime</td>
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<td>59,897</td>
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<tr>
<td>MSG Investment (21A)</td>
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<td>59,897</td>
<td>0.29%</td>
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<tr>
<td>MS Capital China III</td>
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<td>0.29%</td>
<td>59,897</td>
<td>0.29%</td>
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<tr>
<td>MS Capital China III</td>
<td></td>
<td></td>
<td>59,897</td>
<td>0.29%</td>
<td>59,897</td>
<td>0.29%</td>
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</tr>
<tr>
<td>Sage Partners</td>
<td></td>
<td></td>
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<td>0.29%</td>
<td>59,897</td>
<td>0.29%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholder</td>
<td>Ordinary Shares</td>
<td>Series A Preferred Shares</td>
<td>Series B Preferred Shares</td>
<td>Series C Preferred Shares</td>
<td>Series D Preferred Shares</td>
<td>Aggregate number of Shares as of the Latest Practicable Date</td>
<td>Aggregate shareholding percentage as of the Latest Practicable Date</td>
<td>Aggregate number of Shares upon the completion of the [REDACTED]</td>
<td>Aggregate shareholding percentage upon the completion of the [REDACTED]</td>
</tr>
<tr>
<td>-----------------------------------</td>
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<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Eight Roads Japan II</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>139,747</td>
<td>139,747</td>
<td>0.68%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
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<tr>
<td>Anchor</td>
<td>–</td>
<td>–</td>
<td>174,684</td>
<td>–</td>
<td>174,684</td>
<td>174,684</td>
<td>0.85%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Dream Team Ventures</td>
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<td>174,684</td>
<td>–</td>
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<td>174,684</td>
<td>0.85%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Fosun</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>524,051</td>
<td>–</td>
<td>524,051</td>
<td>2.54%</td>
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<td>[REDACTED]</td>
</tr>
<tr>
<td>B Capital (China) I</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>511,242</td>
<td>–</td>
<td>511,242</td>
<td>2.48%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>SMALLCAP</td>
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<td>–</td>
<td>–</td>
<td>605,423</td>
<td>–</td>
<td>605,423</td>
<td>2.94%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
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<tr>
<td>Aramco Ventures</td>
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<td>–</td>
<td>639,052</td>
<td>–</td>
<td>639,052</td>
<td>3.10%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
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<tr>
<td>BHR Investment Fund X</td>
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<td>–</td>
<td>–</td>
<td>127,810</td>
<td>–</td>
<td>127,810</td>
<td>0.62%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Sino Biopharm</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>127,810</td>
<td>–</td>
<td>127,810</td>
<td>0.62%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>WS Investment (22A)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,114</td>
<td>–</td>
<td>5,114</td>
<td>0.02%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Employees and consultants(1)</td>
<td>923,595</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>923,595</td>
<td>4.48%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Other public Shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,832,893</td>
<td>731,083</td>
<td>4,207,604</td>
<td>9,433,716</td>
<td>2,421,692</td>
<td>20,626,988</td>
<td>100%</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

**Note:**

(1) Employees and consultants refer to employees and consultants who were transferred Ordinary Shares from Mr. Alex Zhavoronkov, Ph.D. as incentives for their contributions to our Group, and/or exercised their options under the [REDACTED] Equity Incentive Plans, of which (i) Mr. Feng Ren, Ph.D., who is a Director of our Company, held 23,770 Ordinary Shares; (ii) Mr. Aleksandr Aliper, Ph.D., who is the President of our Company, held 70,000 Ordinary Shares; (iii) Mr. Nirav Jhaveri, who is the Chief Financial Officer of our Company, held 10,000 Shares; (iv) Ms. Michelle Chen, Ph.D., who is the Chief Business Officer of our Company, held 42,000 Ordinary Shares; and (v) Ms. Jun Wang, who is the General Counsel and Board Secretary of our Company, held 16,000 Ordinary Shares.
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] EQUITY INCENTIVE PLANS


[REDACTED] AND CONVERSION OF PREFERRED SHARES INTO ORDINARY SHARES

To enlarge our Company’s Share number, on [●], 2023, our Shareholders resolved to, among other things, conduct the [REDACTED] pursuant to which each Share in our then issued and unissued share capital with a par value of US$0.00001 was split into [REDACTED] Shares of the corresponding class with a par value of US$[REDACTED] each effective upon the conditions of the [REDACTED] being fulfilled.

Our Shareholders also resolved to, immediately upon completion of the [REDACTED], conduct the conversion of each Preferred Share shall be re-designated and reclassified into Ordinary Share on a one-to-one basis. For details, please refer to the section headed “Share Capital” in this Document.
OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED]

The following chart sets forth our Group’s corporate structure immediately prior to the completion of the [REDACTED] and the [REDACTED], assuming that (i) all of the Preferred Shares have been converted to Ordinary Shares on a one-to-one basis and (ii) no further Shares are issued under the [REDACTED] Equity Incentive Plans:

Note:

(1) For information in relation to other Shareholders which are [REDACTED] Investors, please refer to the section headed “— Information about the [REDACTED] Investors.”
Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart sets forth our Group’s corporate structure immediately following the completion of the [REDACTED] and the [REDACTED], assuming that (i) all of the Preferred Shares have been converted to Ordinary Shares on a one-to-one basis, (ii) the [REDACTED] is not exercised, and (iii) no further Shares are issued under the [REDACTED] Equity Incentive Plans:

<table>
<thead>
<tr>
<th>Mr. Alex Zhavoronkov, Ph.D</th>
<th>Mesolite Gem Investments Ltd</th>
<th>WuXi PharmaTech Healthcare Fund I, L.P.</th>
<th>Palace Investments Pte. Ltd</th>
<th>Qiming Venture Partners VI, L.P.</th>
<th>Other Shareholders*</th>
<th>Other [REDACTED]</th>
</tr>
</thead>
<tbody>
<tr>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

Our Company

100%

Insilico SubCo (Cayman Islands)

<table>
<thead>
<tr>
<th>Insilico US (Delaware) (General Sores)</th>
<th>Insilico Hong Kong (Hong Kong)</th>
<th>Mr. Pharma (Hong Kong)</th>
<th>Insilico IP (Hong Kong)</th>
<th>Insilico Taiwan (Taiwan)</th>
<th>Insilico Canada (Canada)</th>
<th>Insilico AI (UAE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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</table>

<table>
<thead>
<tr>
<th>Insilico Shanghai (Shanghai)</th>
<th>Insilico Suzhou (Suzhou)</th>
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<tbody>
<tr>
<td>100%</td>
<td>100%</td>
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</table>

Note:

(1) Please refer to note (1) in the section headed “— Corporate Structure Immediately Before the Completion of the [REDACTED].”
OVERVIEW

We are a globally leading end-to-end generative AI-driven biotech company in terms of AIDD pipeline progress, with a mission to accelerate drug discovery and development by leveraging our rapidly evolving, proprietary Pharma.AI platform across biology, chemistry and clinical development. Founded in 2014 at the Emerging Technology Centers of Johns Hopkins University in Baltimore, Maryland, we have a global presence in the U.S., Greater China, Canada and the Middle East. In 2019, we established our Hong Kong headquarters with a team consisting of disease modeling and target discovery scientists, as well as generative AI engineers led by our CEO, who resides in Hong Kong. Our generative AI platform helps us to rapidly and efficiently advance our fully self-generated AIDD pipeline primarily composed of novel drug candidates. As of the Latest Practicable Date, we have efficiently built a diversified, internally generated pipeline consisting of 31 programs across 29 drug targets. Our Core Product, ISM001-055, also known as INS018_055, is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TNIK, a novel anti-fibrotic target identified through our Pharma.AI platform. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial to evaluate the safety, tolerability, PK and efficacy of ISM001-055 in China in April 2023 and plan to initiate the U.S. Phase IIa clinical trial in the second half of 2023. Furthermore, ISM001-055 received orphan drug designation from the FDA in February 2023, qualifying us for incentives including a potential seven-year market exclusivity after approval. We believe that ISM001-055 could be a first-in-class drug candidate with the potential to provide better treatment outcomes for IPF patients.

We are driven by a highly experienced therapeutic pipeline development team and a world-class generative AI platform development team. Each team is led by a leader who is an expert in his field. Our dual-CEO structure helps us combine a highly efficient therapeutic pipeline development process with state-of-the-art generative AI capabilities to achieve our goal of bringing novel and clinically meaningful therapies to patients. On the therapeutics development front, we have established a cutting-edge target discovery and validation laboratory at Suzhou, China, which combines our Pharma.AI backbone with its full suite of generative capabilities with wet lab capabilities to enable the automation of multiple drug discovery workflows while reducing human and experimental bias. Our internal pharmaceutical pipeline development capabilities are complemented by an extensive network of CROs and CDMOs that support our discovery, preclinical and clinical activities to facilitate the efficient progression of our drug candidates into clinical trials. On the generative AI technology front, our Pharma.AI enables the rapid discovery of novel drug targets including in previously undruggable targets, the efficient generation of drug candidates and the prediction of drug candidates’ likelihood of clinical success.

Our business model consists of (i) the research and development of our generative AI-driven therapeutic pipeline and (ii) software licensing. We have made significant investments in building our generative AI-based drug discovery and development platform and have generated a rich pipeline targeting areas of unmet need in oncology, immunology, fibrosis and other therapeutic areas. Compared to the pharmaceutical industry’s average of 4.5 years from program initiation to IND-enabling stage, our innovative generative AI platform and pipeline development process has enabled us to do so in 12 months for a typical pipeline candidate. As our pipeline candidates mature and grow in potential value, we may consider out-licensing them to pharmaceutical companies. We also enter into strategic drug discovery and development collaborations with pharmaceutical companies to explore potential targets and drug candidates that have the potential to become part of our drug development pipeline. We currently collaborate with 10 of the top 20 global pharmaceutical companies in terms of reported sales in 2021. Our strategic collaborators typically leverage our technology and development capabilities to complement and accelerate drug discovery and development efforts. A typical collaboration deal includes a combination of upfront payment, IP rights, success-based development, regulatory and commercial milestones and royalties. Finally, our software licensing activities include the out-licensing of our Pharma.AI platform, consisting of Biology42, Chemistry42 and Medicine42, for target discovery, small molecule and biologics generation and clinical trial prediction and optimization. While focused on the pharmaceutical industry, our generative AI platform has broad potential applications.
Our pipeline targets areas of high unmet needs, with a footprint in fibrosis, oncology, immunology and other therapeutic areas. The following chart summarizes the development status of our pipeline as of the Latest Practicable Date. For additional information on each drug candidate and its development status, see “— Drug Candidates.”

<table>
<thead>
<tr>
<th>Product Candidate</th>
<th>Target</th>
<th>Mechanism</th>
<th>Indication</th>
<th>Discovery</th>
<th>Stage of Development</th>
<th>IND-enabling Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM001-055</td>
<td>TNIK</td>
<td>EMT, FMT, fibroblast macrophage activation</td>
<td>Idiopathic Pulmonary Fibrosis (IPF)</td>
<td>China (NMPA), US (FDA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ISM3091</td>
<td>USP1</td>
<td>Synthetic lethality</td>
<td>BRCA-mutant Cancer</td>
<td>US (FDA)</td>
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<tr>
<td>ISM3312</td>
<td>JCL**</td>
<td>Virus replication</td>
<td>COVID-19</td>
<td>Gray (NMPA)</td>
<td></td>
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<tr>
<td>ISM8207</td>
<td>QPCTL</td>
<td>Immune modulation</td>
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<td>Co-development with Fosun</td>
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Abbreviations: TNIK = TRAF2 and NCK interacting kinase; PHD1/2 = prolyl hydroxylase domain-1/2; QPCTL = glutaminyl-peptide cyclotransferase-like; 3CLpr/Mpro = 3-chymotrypsin-like protease; USP1 = ubiquitin specific peptidase 1; MAT2A = methionine adenosyltransferase 2α; DGKA = diacylglycerol kinase alpha; KAT6 = K (lysine) acetyltransferase 6; ENPP1 = ectonucleotidase pyrophosphatase / phosphodiesterase 1; CDK12 = cyclin dependent kinase 12; c-MYC = c-myelocytomatosis oncogene product; EMT = epithelial-mesenchymal transition; FMT = fibroblast-to-myofibroblast transition; EPO = erythropoietin; BRCA = breast cancer gene; MTAP = methylthioadenosine phosphorylase; ER = estrogen receptor; HER2 = receptor tyrosine-protein kinase ErbB-2; TEAD = transcriptional enhanced associate domain.

Notes:

(1) FDA granted ISM001-055 the orphan drug designation for its IPF indication.

(2) The discovery stage includes drug target identification, hit identification, hit-to-lead optimization and lead optimization. Discovery and IND-enabling studies are preclinical-stage studies.

(3) We entered into an agreement with Fosun in November 2021 to co-develop drug candidate against the drug target QPCTL. Preclinical data presented in this Document are generated by our research service suppliers under our direction without the participation of Fosun. We take the leading role for the clinical development of drug candidates for QPCTL through Phase I trial, with the roles of each party for the development of QPCTL from Phase II trial to be negotiated after Phase I trial completion. For additional information, see “Business — Material Collaboration and Licensing Arrangements — Collaboration with Fosun.”

(4) As of the Latest Practicable Date, we have three on-going clinical trials for our drug candidates ISM001-055, ISM3091 and ISM3312. For additional information regarding out-going clinical trials, see “Business — Clinical and IND-enabling Stage Candidates.”

(5) All programs are designed for oral administration unless otherwise indicated.

Since 2021, we have advanced 13 programs from early discovery into IND-enabling studies, and we have submitted to and received clearance from the NMPA and the FDA on two IND applications. In total, we have 259 issued patents and pending patent applications in the U.S., China and other jurisdictions as of the Latest Practicable Date, which collectively cover key inventions undergirding the Pharma.AI platform and our pipeline programs.

Our most advanced clinical candidate and our Core Product, ISM001-055, is a small-molecule drug candidate primarily designed to treat fibrosis-related diseases such as idiopathic pulmonary fibrosis ("IPF").
ISM001-055 is a potent inhibitor of TNIK, a novel, anti-fibrotic target with broad potential across multiple fibrotic indications. We used PandaOmics to identify TNIK and Generative Chemistry to guide the design and testing of small molecule drug candidates directed against TNIK. The target was selected due to its role as a hub regulator of several profibrotic signaling pathways including the Wnt, NF-kB and TGF-ß signaling pathways. The inhibition of TNIK has the potential to address the underlying disease associated with fibrosis. ISM001-055 has shown a potent inhibitory effect against TNIK and has demonstrated anti-fibrotic properties in in vivo studies utilizing the well-established bleomycin-induced pulmonary fibrosis mouse model. A three-week treatment of mice with bleomycin-induced pulmonary fibrosis resulted in observed improvements in respiratory function, a dose-dependent reduction of the fibrotic area and a significant decrease in the fibrotic biomarker α-SMA. In addition, the mouse model also demonstrated that a combination of the lowest active dose of our ISM001-055 with sub-therapeutic dose of pirfenidone, one of the current standards of care for IPF, significantly attenuated fibrosis development, demonstrating more benefits in reduction of pulmonary fibrosis-related markers, improvement in lung function and decrease of fibrotic area. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055 in China in April 2023 to evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as an oral dose for 12 weeks in patients with IPF. We submitted an IND application to the FDA for the Phase IIa clinical trials in the U.S. and received approval in June 2023. We plan to initiate the Phase IIa trial in the U.S. in the second half of 2023.

We have a research and development team of 255 experienced biologists, chemists, drug developers and AI experts, with the vast majority holding a master’s or doctorate degree in a relevant field as of the Latest Practicable Date. In addition, we launched an AI-driven, automated laboratory in Suzhou, China with a GFA of 1665 sq.m. in December 2022, equipped with state-of-the-art equipment for next-generation sequencing, cell incubator, cell analyzer and high-content screening, integrated with our AI solutions. The laboratory is designed to further improve the efficiency and accuracy of our internal wet lab experimentation and boost data generation to improve our Pharma.AI platform.

Our generative AI-driven platform, Pharma.AI, consists of Biology42, Chemistry42 and Medicine 42, which are designed to be integrated across the broad drug discovery and development process to efficiently identify novel drug targets, design de novo molecules against both novel and known targets and optimize clinical development of our pipeline. Pharma.AI platform is the only generative AI-powered drug discovery and development platform that provides end-to-end drug discovery and development services from discovery of novel target to generation of novel small molecule and prediction of clinical outcome. Compared to companies that may in-license drug candidates and only use AI for optimization, our Pharma.AI platform has fully generated our entire pipeline of 31 programs and 29 drug targets. In addition, it can be integrated with external tools such as ChatGPT to take advantage of the latest technological breakthroughs and create customized solutions for different customer needs. Pharma.AI receives data collected from our pipeline development progress and from our strategic drug discovery and development collaborations, creating a flywheel effect that feeds into the deep machine learning element of our platform to drive the continuous improvement of our end-to-end capabilities. This technology is augmented by a robust team of biologists, chemists and AI specialists guided by a management team and advisors with deep industry experience in drug development.

• **Biology42 — Discovery and prioritization of novel targets.** The Biology42 platform is composed of three applications: PandaOmics, Generative Biologics and Life Star 1. PandaOmics enables systems biology research across multiple data types, including multi-omics and text data, and deploys AI-driven analytical capabilities to facilitate the rapid discovery of novel targets or the prioritization of established targets against diseases of interest. Generative Biologics uses generative models to design and evaluate proteins, predict protein interactions and analyze generated peptides. Life Star 1 application integrates fully automated robotics with a generative AI framework to rapidly profile, identify and validate novel targets, biomarkers and compounds.

• **Chemistry42 — Generation of novel small molecules.** The Chemistry42 platform is composed of two applications: Generative Chemistry and Golden Cubes. Generative Chemistry is a small
molecule design platform with generative chemistry capabilities to identify and facilitate the de novo synthesis of novel drug structures. It leverages the power of automated machine learning, accesses structure-based and ligand-based drug design and discovers novel and diverse molecules for targets of interest, whether novel or known. Golden Cubes is an application within the Chemistry42 platform that enables the profiling of small molecules and the identification of off-targets for such molecules.

- **Medicine42 — Prediction of clinical trial outcomes.** The Medicine42 platform is composed of the inClinico application. inClinico is a multi-engine, generative AI clinical trial analysis application. It utilizes state-of-the-art AI algorithms to explore diverse types of data and information, including chemical structures of drugs, data generated from prior clinical trials, clinical trial protocols and other publicly available publications, grants and patents, among other sources, in order to predict clinical trial outcomes and to recognize potential weak points in trial design. In addition, inClinico has the potential to serve as a tool to evaluate the pipelines of biopharma companies and drive insight on likely clinical trial outcomes.

**Pharma.AI: Our Integrated, AI-Driven Drug Discovery & Development Platform with Self-Reinforcing Feedback, Learning and Validation**

While the development of drug candidates remains costly, time consuming and inherently uncertain, our goal is for our Pharma.AI platform to bring novel life-saving drugs to patients more rapidly while reducing costs and risks throughout the development process. Building on the extensive progress we have made to date, we aim to continuously refine our Pharma.AI platform, rapidly and efficiently advance our growing drug pipeline, and expand our business development footprint with leading biopharmaceutical companies and academic institutions. We believe that through continued growth of our business and maturation of our pipeline, we will be able to contribute to innovation within and acceleration of the global drug discovery and development industry, with the ultimate goal of bringing novel and clinically meaningful therapies to patients.
OUR STRENGTHS

Proven end-to-end generative AI-driven platform designed to integrate biology, chemistry and clinical development.

Our integrated generative AI-driven drug discovery platform, Pharma.AI, has end-to-end capabilities in target discovery, molecule generation and clinical trial optimization for both small molecule and biologics drugs, aiming to address major opportunities to innovate the drug discovery and development process.

- **PandaOmics** serves as a business intelligence tool at the target identification stage of drug discovery. Equipped with expertly curated databases, diverse AI models and dynamic calculation capability, PandaOmics can decipher and analyze omics data, discover novel drug targets, uncover novel strategies for drug repurposing and prioritize targets. PandaOmics has integrated ChatGPT’s large language model (“LLM”) module to provide chatbot functionality. This allows users to query PandaOmics’ powerful database by asking questions in plain language, while providing far more accurate and relevant results than the standard ChatGPT.

- **Generative Chemistry** utilizes ML to generate novel and diverse molecules for targets of interest. With the ability to rapidly explore novel chemical space to generate a large number of candidate molecules and refine to those with the most promising drug-like properties tailored to specific needs, Generative Chemistry provides biopharma companies with an easy-to-integrate generative AI capability that can dramatically enhance their small molecule design capabilities.

- **inClinico** utilizes state-of-the-art AI algorithms to explore diverse types of data and information to predict clinical trial outcomes, recognize potential weak points in trial design and guide the adoption of best practices. inClinico can analyze how a trial’s eligibility criteria could be adjusted to impact that trial’s probability of success, identify both good and bad design choices in past trials and provide scoring of custom-designed trials for easy comparative assessment of trial design decisions.

*Generative AI is fully integrated within our end-to-end platform*

We are pioneers in the development of generative AI in drug development. We were the first to publish a method using a deep adversarial model to generate new drug compounds. Since then, we have played a leading position in deploying generative AI development within the drug discovery space. Our pioneering role has led to the publication of a number of research papers related to generative AI and the integration of generative AI within our platforms.

PandaOmics is a powerful generative AI software designed for therapeutic target and biomarker discovery. It includes more than 40 models, which are produced with a combination of generative AI techniques and human expert validation. PandaOmics uses *in silico* pathway activation network decomposition analysis and generative AI approaches to identify novel targets and biomarkers, making it a valuable tool for discovering new targets in a variety of therapeutic areas. One of the most impressive features of PandaOmics is its knowledge graph for target-disease associations. The knowledge graph is generated by transformer-based natural language processing models applied to scientific publications, clinical trials, and grant applications related to target-disease associations. These models are a type of generative AI technology that can understand and generate human-like language. They extract relevant information from sources to create knowledge graphs that can aid in target discovery.

Generative Chemistry benefits from a strong foundation in generative AI. The over 40 AI models used to optimize the properties of generated molecular structures were built through an extensive deep learning process. More than 300 AI models were developed, and through testing and validation, the number was narrowed down to just over 40 validated AI models for use by Generative Chemistry. This method has the advantage of producing more accurate generative chemistry models and is a key differentiator between Generative Chemistry and its competitors, who would require many more resources and much more time to
generate such a large number of accurate, validated models. In addition, Generative Chemistry’s generative AI-driven molecule generation method dramatically reduces drug discovery time and enables the selection of superior molecular candidates by exploring novel chemical space and optimizing for superior therapeutic properties. This approach tends to generate molecules with novel structures rather than “me-too” drugs with similar chemical structures to existing drugs. Because the therapeutic effects of a small molecule drug is generally related to its chemical structure, “me-too” drugs tend to offer limited improvements while drugs with novel structures have the potential to offer significant improvements. To ensure the accuracy and relevance of the generated molecules for their intended application, trained experts review the chemical structures generated by the AI.

inClinico is a multi-engine, generative AI clinical trial analysis application designed to predict the outcome of Phase II to Phase III conversion. inClinico’s predictive accuracy has been verified through quasi-prospective and prospective validation studies. In these studies, inClinico assesses the probability of success of ongoing clinical trials. The trials are then tracked, and their ultimate success or failure is used to validate inClinico’s predictions. The platform combines an ensemble of clinical trial outcome prediction engines that use generative AI and multimodal data, including omics, text, clinical trial design, and small molecule properties. It uses more than 40 models, with the performance of each model evaluated and recorded. The inClinico application integrates scoring approaches, multimodal data sources and biological context combined with a state-of-the-art deep learning model to provide a powerful framework for clinical trial outcome prediction.

Our platform has achieved proven results

With this end-to-end generative AI-driven platform, we have achieved proven results with AI-discovered novel targets and AI-designed novel molecules. Our Core Product, ISM001-055, serves as an important demonstration of Pharma.AI’s ability to accelerate drug development timelines and reduce costs. It took approximately 30 months to advance ISM001-055 from disease hypothesis formulation to Phase I clinical trials. We were able to achieve this efficiency by relying on the end-to-end integration of our AI-driven drug development process. At the target identification stage, we used PandaOmics to identify targets through deep feature selection, causality inference, and de novo pathway reconstruction. In addition, we used a natural language processing engine to assess target novelty and disease association by analyzing multiple, diverse data sources, including patents, research publications and clinical trial databases. This process yielded 20 targets for validation, which we further narrowed down to the most promising options. Once a novel intracellular target with a compelling biological rationale was selected, we applied our Generative Chemistry application, to generate candidate molecules. The platform uses generative and scoring engines to generate hit compounds from scratch. Our generative AI-driven target discovery and compound generation process is so efficient that our pipeline of 31 programs against 29 targets is entirely the product of internal generation, with no targets or compounds in-licensed from pharmaceutical companies.

Once a promising candidate such as ISM001-055 was selected, we moved to confirm its suitability through traditional wet lab studies. In multiple, cell-based in vitro studies, we observed that ISM001-055 suppressed key fibrotic disease markers. In IND-enabling studies, oral administration of ISM001-055 was well tolerated in multiple animal species. We also conducted an exploratory, first-in-human, single microdose Phase 0 study in Australia to evaluate the PK of ISM001-055 in healthy volunteers. The study showed that ISM001-055 was well tolerated in healthy adults when administered as a single 100 μg dose and we believe the results demonstrate a favorable PK profile of ISM001-055 at therapeutic doses in humans.

A potentially first-in-class anti-fibrotic drug candidate with clinical differentiation

Our generative AI platform has enabled us to discover novel targets and generate novel drug candidates that are difficult to develop using traditional drug discovery methods. Our Core Product
demonstrates the potential of our platform and represents a first-of-its-kind program with AI-discovered drug for an AI-discovered target. While IPF represents an attractive opportunity for new therapies given the significant unmet need, there are currently limited therapeutic options on the market. Previous attempts to develop drugs for the fibrotic disease market using traditional drug development methods have met with limited success. This is because drug discovery and development for fibrotic diseases presents unique challenges, such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. However, our generative AI-driven approach has enabled us to identify a promising target that modulates multiple fibrotic pathways, and we have developed a promising small molecule candidate that we believe could represent a novel, clinically differentiated therapy.

The global treatment market for IPF is estimated to be US$3.3 billion in 2021 and is expected to reach US$5.0 billion in 2025 and US$7.1 billion in 2030, according to Frost & Sullivan. Our Core Product, ISM001-055, is designed to address IPF, a fatal fibrotic disease of the lung characterized by distorted lung architecture, gradual disease progression and eventual loss of respiratory function. The worldwide incidence of IPF was 575.1 thousand in 2021 and is expected to grow to approximately 685.2 thousand by 2030. IPF primarily occurs in older adults and is associated with the histopathologic and/or radiologic pattern of usual interstitial pneumonia (“UIP”). Recognizing the value that our Core Product could provide to the underserved IPF patient community, the FDA has granted ISM001-055 the orphan drug designation, where a drug is deemed to treat a rare disease affecting fewer than 200,000 individuals in the U.S. orphan drug designation qualifies us for incentives, including tax credits for qualified clinical trials, exemption from user fees and potential seven years of market exclusivity upon drug approval.

The current treatment landscape of fibrotic diseases is limited with few good options as prior drug development efforts have focused largely on known targets and produced limited results, according to Frost & Sullivan. For the treatment of IPF, there are only two therapies currently approved by the FDA, pirfenidone (Esbriet) and nintedanib (Ofev), both approved in 2014. While both products have demonstrated an ability to modestly attenuate the decline of lung function, neither halts disease progression nor significantly improves the survival rate of IPF patients. Despite these limitations, pirfenidone and nintedanib generated combined worldwide sales of approximately US$3.5 billion in 2020, demonstrating the extent of unmet need in the IPF market. In contrast to Esbriet and Ofev, our drug candidate is designed to address the underlying pathology of fibrosis by inhibiting TNIK, the hub regulator of several profibrotic signaling pathways, and therefore could potentially halt or reverse IPF disease progression. A successful drug that can halt or reverse IPF could have a greater market potential than the current approved treatments.

There are currently no treatments approved or available to reverse or halt kidney fibrosis, a final, common condition in chronic kidney disease (“CKD”), which can lead to worsening kidney functioning and potential failure. Angiotensin-converting enzyme (“ACE”), inhibitors and diuretics are typically used as first-line treatment of CKD to address proteinuria and fluid retention, respectively. Erythropoietin stimulating agents (“ESAs”), are also used for the treatment of anemia of CKD, which is a common complication among patients with CKD. However, these drugs do not reverse or halt the pathophysiological processes responsible for the progression of fibrotic changes and loss of kidney function. Patients who progress to end-stage renal failure require dialysis or kidney transplantation, both of which are associated with a poor prognosis.

As TNIK is implicated in multiple profibrotic pathways, our ISM001-055 has the potential to be developed as a treatment for CKD, which is recognized as a leading and growing public health concern worldwide, and it is estimated that CKD affects half of the adults above age 70 and 10% of the global population. According to Frost & Sullivan, the global prevalence of anemia of CKD has reached 389.4 million in 2021. It is estimated to reach 447.2 million in 2025 and 514.7 million in 2030, at a CAGR of 3.5% and 2.8%, respectively. Our current Phase I and II studies on IPF indication can provide valuable data for our future investigation of ISM001-055 as applied to CKD, by providing valuable insist into patient selection CKD biomarkers.
**Discovery of TNIK and small molecule inhibitors**

We deployed our Pharma.AI platform to identify novel disease pathways and biological targets associated with a broad range of fibrotic conditions, including IPF and kidney fibrosis and were able to discover a novel, pan-fibrotic target previously not considered to be directly associated with fibrosis. We achieved this by identifying 20 novel targets associated with fibrosis for subsequent validation through a series of embedded functionalities. Applying additional filters, such as target safety, protein structure availability and accessibility by small molecules, we narrowed down the 20 targets to a single novel target, TNIK, an intracellular enzyme involved in the regulation of cell differentiation, tissue remodeling and inflammation. Subsequent mechanism of action studies demonstrated that TNIK was involved in regulating multiple pathways critical for fibrosis, including WNT, NF-κB and TGF-β/SMAD, and we believe that TNIK represents a novel breakthrough target with disease-modifying potential across a range of fibrotic diseases.

Once TNIK was identified as a suitable target for the potential treatment of fibrotic diseases, we were able to rapidly generate a series of potential inhibitors of TNIK using Generative Chemistry, test these inhibitors in preclinical studies and iteratively optimize the inhibitors by feeding the results back to Generative Chemistry. We were able to nominate our Core Product as a potential treatment of IPF in only 18 months from the commencement of the program.

**Core Product ISM001-055**

Our Core Product and our lead clinical-stage product candidate, ISM001-055, is an orally available small molecule drug candidate designed by Generative Chemistry to treat IPF and kidney fibrosis by inhibiting TNIK, a novel anti-fibrotic target identified through PandaOmics. ISM001-055 is the first clinical-stage AI-designed novel molecule for an AI-discovered novel target, according to Frost & Sullivan. ISM001-055 also serves as an important demonstration of the capabilities of Pharma.AI to expedite the drug development timeline and reduce costs.

We believe that ISM001-055 could be a first-in-class drug candidate with the potential to provide better treatment outcomes for IPF patients. In preclinical studies, ISM001-055 demonstrated a strong inhibitory potency with a half-maximal inhibitory concentration ("IC₅₀") of 23 nM against TNIK. We also observed that ISM001-055 was able to suppress key fibrotic markers in multiple cell-based in vitro studies.

ISM001-055 inhibits TNIK, a key regulator of multiple pathways associated with IPF, resulting in amelioration or termination of fibrotic processes. TNIK mediates multiple IPF-related signaling pathways, including the profibrotic TGF-β and Wnt/β-catenin pathways, as well as the NF-κB pathway. Compared to targeting upstream regulators in the Wnt pathway, inhibition of TNIK may be more effective in suppressing signaling events, particularly when upstream regulators are mutated.

The anti-fibrotic activity of ISM001-055 is validated by in vitro and in vivo studies in several fibrosis models. It alters the expression levels of fibrotic or EMT markers such as fibronectin, N-cadherin, E-cadherin and Smad2 phosphorylation levels, achieving an effect comparable to that of TNIK knockdown by RNA interference. Because ISM001-055 inhibits TNIK, it has the potential to inhibit TGF-β-induced expression of fibrotic proteins without inducing non-specific cytotoxicity. The selectivity of ISM001-055 was evaluated using a panel of 430 kinase enzymes. The panel assessment showed that ISM001-055 was highly active against TNIK and exhibited at least 10-fold selectivity over most of the kinases in the panel, with the exception of ALK4, DDR1, FMS, TGFBR1, YES, MINK and MAP4K4.

In multiple cell-based in vitro studies, using human lung fibroblasts, human bronchial epithelial cells, etc., we observed that ISM001-055 was able to suppress key fibrotic proteins, such as fibronectin, alpha-smooth muscle actin ("α-SMA") and collagen, which suggests the potential for ISM001-055 to suppress fibrosis. In addition, encouraging therapeutic effects were observed in well-established mouse models of IPF.
ISM001-055 has been investigated in two randomized, double-blind, placebo-controlled Phase I clinical trials in China and New Zealand, respectively, in healthy volunteers. The data from the New Zealand and China Phase I trials showed that the observed human PK data of ISM001-055 in healthy volunteers was in line with our preclinical modeling with no significant accumulation after seven days and the drug candidate exhibited a favorable PK profile. ISM001-055 was generally safe and well tolerated by enrolled volunteers. Following the completion of Phase I clinical trials in New Zealand and China, we initiated a multi-center, multi-region Phase IIa clinical trial in China to further evaluate the safety and efficacy of ISM001-055 in patients with IPF. The trial was initiated in China in April 2023. We submitted an IND application to the FDA for Phase IIa clinical trial in the U.S. and received approval in June 2023. We plan to initiate the Phase IIa U.S. clinical trial in the second half of 2023.

ISM001-055 is also a promising potential treatment for kidney fibrosis, as both in vitro and in vivo studies have shown potential inhibitory effects of kidney fibrosis. In vitro, ISM001-055 inhibited the key fibrotic marker, α-SMA expression, in HK-2 cells at an IC₅₀ of 0.104 μM. In vivo, in a study on mice with unilateral ureteral obstruction-induced kidney fibrosis, ISM001-055 significantly inhibited kidney fibrosis formation when administered at doses of 3, 10 and 30 mg/kg BID for two weeks. This was evident by a reduction in Sirius-red staining area and immunohistochemical staining intensity of collagen type 1 in kidney tissues compared to the vehicle control group. ISM001-055 also reduced kidney hydroxyproline content at doses of 10 and 30 mg/kg BID. Further studies on other kidney fibrosis models are planned to explore the underlying mechanisms of action and potential indications.

ISM3091 — an orally available small molecule inhibitor of USP1 as a potential treatment of HRD-related cancers

ISM3091 is a small molecule inhibitor targeting ubiquitin-specific protease 1 ("USP1") for the potential treatment of homologous recombination deficiency ("HRD")-related cancer, particularly those linked with BRCA mutations, such as breast cancer, ovarian cancer and prostate cancer. ISM3091 can be used as a monotherapy or in combination with platinum-based drugs or PARP inhibitors to reverse cancer cell resistance to these treatments.

ISM3091 leverages the concept of synthetic lethality to target HRD cancer cells, including those with BRCA mutations. Typically, cancer cells that only have one mutated gene in a specific pair of genes can depend on the normal partner gene for survival. Interfering with the function of the normal partner gene may cause cancer cells to die. In our case, cells deficient in either BRCA1 or USP1 can still survive, but cells that are deficient in both BRCA1 and USP1 will undergo apoptosis. BRCA1 mutated cancer cells depend on the presence of USP1 enzymes to stabilize their DNA replication forks during DNA replication. By inhibiting USP1, ISM3091 selectively causes BRCA1 mutated cells to undergo apoptosis.
Our ISM3091 has demonstrated its ability to induce cell apoptosis in the MDA-MB-436 human breast carcinoma cell line in a more potent manner than olaparib, one of the only two FDA-approved PARP inhibitor for the treatment of cancers in people with BRCA1 or BRCA2 mutations. In *in vitro* studies, ISM3091 showed nM level potency on both enzymatic and MDAMB-436 cell viability assays, while demonstrating excellent selectivity between BRCA-mutated and wild-type cells. In addition, ISM3091 has shown great physicochemical properties, a good ADME profile with a moderate to low rate of metabolism in humans and an excellent *in vitro* safety profile with a hERG inhibition IC\textsubscript{50} of 26.57 μM. In *in vivo* studies, ISM3091 demonstrated excellent PK profiles across different preclinical animal species with moderate to low CL, a high F\% and a high AUC.

We received IND approval from the FDA in April 2023, and expect to initiate the Phase I clinical trial in July 2023.

**ISM3312 — an irreversible covalent inhibitor of 3CL\textsuperscript{pro} as a potential treatment of COVID-19**

ISM3312 is an orally available irreversible covalent inhibitor of 3CL\textsuperscript{pro} with the potential to treat COVID-19 and other coronaviruses. ISM3312 has a unique binding mode compared to the currently approved COVID-19 antiviral medications such as Paxlovid and Simnotrelvir. In addition, ISM3312 does not need to be used in combination with Ritonavir, as is the case with currently approved products, giving it potential low drug-drug interaction issue in clinical usage.

The coronavirus 3CL\textsuperscript{pro} is a conservative cysteine protease that has been proven to be a druggable target for the treatment of many coronaviruses. Inhibition of the protease activity of 3CL\textsuperscript{pro} blocks the release of nsp4 to nsp16 of SARS-CoV-2 that are essential for viral replication and makes 3CL\textsuperscript{pro} a promising target for COVID-19 treatment.

In *in vitro* enzymatic assay, ISM3312 inhibited the activity of 3CL\textsuperscript{pro}, with an IC\textsubscript{50} of 14 nM against SARS-CoV-2. Additionally, ISM3312 showed broad antiviral activity against the 3CL\textsuperscript{pro} of other coronaviruses, including SARS-CoV, MERS-CoV, HCoV-229E, HCoV-OC43, HCoV-NL63, HCoV-HKU1 and SARS-CoV-2 omicron variant with IC\textsubscript{50}s of 14 nM, 52 nM, 11 nM, 10 nM, 14 nM, 4 nM and 22 nM, respectively. In *in vivo* transgenic hACE2 mice models, ISM3312 displayed dose-dependent antiviral activity against SARS-CoV-2.

Pursuant to the IND approval issued by the NMPA in February 2023, we initiated a randomized, double-blind, placebo-controlled, dose-escalation Phase Ia clinical trial of ISM3312 in China in March 2023. The Phase Ia clinical trial is designed to evaluate the safety, tolerability and PK profile in healthy volunteers, and the Phase II clinical trial is designed to evaluate the antiviral effect of ISM3312 compared to placebo in patients with symptom of mild and moderate categories of SARS-CoV-2 infection and with high risk infection of heavy/critical categories. We plan to initiate the Phase II clinical trials following analysis of the data from the Phase Ia clinical trials.

**ISM8207 — a small molecule inhibitor of QPCTL for application in cancer immunotherapy**

ISM8207 is a first-in-class orally available small molecule inhibitor targeting QPCTL with applications in cancer immunotherapy. The drug candidate was identified within twelve months. ISM8207 is being developed as a potential treatment of advanced or metastatic solid tumors and relapsed or refractory B-cell lymphoid malignancies. Several *in vivo* studies using mouse models (breast cancer, colon cancer, and B-cell non-Hodgkin lymphoma) have shown promising pharmaceutical properties and potential antitumor activity when combined with standard-of-care therapies. ISM8207 has favorable *in vitro* ADME, *in vivo* PK profiles and showed an acceptable safety profile in preclinical toxicology studies.

In collaboration with Fosun, we applied for pre-IND communication with the Center for Drug Evaluation (“CDE”) and filed an IND application with the NMPA in April 2023. Together with Fosun, we are planning to initiate a first-in-human, open-label, multi-center Phase I study in China to evaluate the
safety, tolerability, PK/pharmacodynamics and preliminary antitumor activity of ISM8207 in subjects with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies.

ISM5411 — small molecule inhibitor of PHD1/2 as potential treatments of IBD

ISM5411 is an oral small molecule inhibitor of prolyl hydroxylase domain 1/2, PHD1/2. The identification of the compound was achieved within 12 months and the compound received official preclinical candidate nomination in November 2021 as a potential treatment of patients with IBD.

ISM5411 could stabilize HIFα and promote intestinal barrier protection. ISM5411 is a first-in-class molecule and its unique mechanism of action enables potential combination therapies with available anti-inflammatory drugs. ISM5411 demonstrated high enzymatic inhibitory potency against PHD1/2, with an IC_{50} of 2.5 nM and showed good selectivity in the Safety 44 Mini-tox panel. ISM5411 exhibited strong in vitro HIF1α induction activity in the Caco2 cell line. In addition, ISM5411 induced expression of the barrier protection gene in T84 monolayer cell in dose dependent manner. ISM5411 also showed in vivo efficacy in both monotherapy and combinational therapy with anti-inflammatory drugs.

ISM5411 is currently in IND-enabling studies. We expect to file our IND applications in the U.S. and China in the second half of 2023.

Potentially disruptive and scalable AI technology enabling the acceleration of our pipeline development

Our robust, next-generation generative AI-platform has enabled us to discover novel drug targets and generate novel product candidates at a pace and scale difficult to attain through traditional research and development approaches. We have utilized Generative Chemistry to design and generate novel molecules against both novel targets and established targets that could benefit from a more optimized approach. As of the Latest Practicable Date, we have generated hundreds of compounds for more than 30 distinct targets, including multiple hits against targets that were previously considered "undruggable" (i.e. cannot be effectively treated with small molecule drugs due to factors such as size, shape or location) such as the c-MYC.

As an illustration of the efficiency of Pharma.AI-driven drug discovery and development, we were able to nominate ISM001-055 as a preclinical candidate within 18 months from the commencement of the program. In addition to our Core Product, we were able to nominate two preclinical candidates, ISM4808 and ISM5411, as small molecule inhibitors for prolyl hydroxylase domain 1/2 ("PHD1/2"), for potential treatment of anemia of chronic kidney disease ("CKD") and inflammatory bowel disease ("IBD"), respectively, within only 12 months after initiation of the programs. We also explored synthetic lethality, which is a promising area of cancer therapy, and nominated two preclinical candidates, ISM3091, targeting ubiquitin-specific protease 1 ("USP1") and ISM3412, targeting methionine adenosyltransferase 2α ("MAT2A"), as a potential cancer treatments within 10 months and approximately 12 months after initiation of the respective programs. In addition, in collaboration with Fosun, we nominated a preclinical candidate, ISM8207, as a small molecule inhibitor of glutaminyl-peptide cyclotransferase like protein ("QPCTL") for immuno-oncology in February 2022 within nine months after initiation of the program.

Rapidly growing and expertly curated datasets

Our scalable business model is supported by expansive, high-quality datasets and generative chemistry capabilities. Our datasets, which are foundational to our generative AI-platform, have been compiled primarily from publicly available information for over a decade and expertly curated. Our datasets encompass a variety of data types procured primarily from the public domain, including data on omics, such as genomics, proteomics, transcriptomics and metabolomics, as well as chemical structures and text searches, and have been curated to provide proprietary and differentiated insights.

Our collective curated datasets currently contain over 100 million disease and target associations, which has allowed us to train the AI models embedded in inClinico using approximately 3,800 unique small
molecule drugs or drug candidates, 1,350 unique indications and 10,900 unique drug-indication pairs, among others. We plan to continue to expand our repository of datasets at a rapid pace, including with the insights generated through the development of our pipeline. In addition, we plan to supplement this internal data with data provided by our collaborators and customers, which will allow us to further expand our datasets.

Through a combination of automated and manual quality assurance approaches, we focus on collecting, organizing and annotating only high-quality, disease-relevant datasets for incorporation into our platforms. We then further process and harmonize the data such that they can be used across our ecosystem of machine learning and AI models. We utilize machine learning and deep learning techniques to draw proprietary insights across our datasets to efficiently discover novel targets and design compounds de novo that are optimized across multiple criteria, including solubility, permeability, bioactivity, toxicity and drug-protein interactions. We are applying the differentiated insights from our platform with the goal of identifying promising disease targets and designing novel molecules from the outset.

**Pioneers of generative AI for drug discovery and development**

Since our founding, we have been pioneers in generative chemistry as an early proponent of deploying generative AI towards drug discovery and development. Generative chemistry is an approach where deep learning models are trained to recognize nonlinear relationships between chemical structures and their chemical and biological properties in order to perform the computational design of molecules with desired pharmacological properties. The use of deep learning techniques offers new possibilities for synchronizing formerly incompatible data types and accelerating and optimizing the development of new compounds with specific desired properties. In 2016, Mr. Alex Zhavoronkov, Ph.D., our CEO, co-authored the first peer-reviewed paper on drug discovery and repurposing using deep learning and GAN-based generative chemistry and was among the first to use transformer neural networks to generate target-discovery hypotheses. Generative adversarial networks are a class of machine learning frameworks. During the last seven years, generative adversarial networks and variants using reinforcement learning have been successfully applied for the design of molecular structures, resulting in proposed molecules with desired chemical and biological properties.

Our contributions to the field of generative chemistry have led to entirely new classes of generative models that have shown the potential for the efficient identification of molecules in silico, which have subsequently been synthesized and demonstrated metabolic stability and activity in vitro and in vivo within disease-relevant models. The new generation of models based on the generative adversarial networks, reinforcement learning or the string representations of molecules paradigms have addressed the shortcomings of and demonstrated improved performance over earlier model iterations. Selected examples of the models we have developed include reinforced adversarial neural computer, which can generate more unique structures and molecules that could pass a set of medicinal chemistry filters than earlier models; adversarial threshold neural computer, which has the ability to generate molecule with improved target properties; entangled conditional adversarial autoencoder, which can satisfy multiple structural and physicochemical conditions when producing novel molecular structures; and generative tensorial reinforcement learning, which supports efficient sampling and conditional and reinforcement learning-based optimization.

We are also applying our generative AI platform to several exciting new frontiers in the life sciences, including the science of aging. For example, our PandaOmics application has been used to identify promising protein targets that control complex biological processes involved in cancer and other diseases, drug repurposing, and geroprotector discovery. In addition, we have published several research papers in peer-reviewed journals demonstrating the platform’s ability to identify dual-purpose protein targets implicated in both aging and disease. In one study, we investigated the use of a multimodal transformer architecture to build a regressor model for predicting genes involved in aging and disease. The multimodal architecture allows the predictive model to process and train on diverse inputs, including both numerical and categorical data. After training, the model was used to identify and prioritize genes involved in aging. Our PandOmics application was then used to rank the identified genes based on their relevance to aging and
disease, enabling the identification of genes that could reverse biological aging and serve as a pathway for therapeutic drug discovery and validation using the aging clock. Life Star 1 is designed to generate methylation gene expression and phenotypic data at every stage of biological sample manipulation and is compatible with the preciouslgpt model for dual-purpose target discovery.

Commitment to research and innovation

We are committed to continuous innovation and consistent validation of our generative AI platform. As a result of our work in the space, we have over 200 peer-reviewed publications and over 50 patents issued or filed as of the Latest Practicable Date. Our Pharma.AI platform has continued to evolve since our founding in 2014, driven by advances in the field of deep learning and generative learning, including our own industry-leading insights, as detailed in numerous publications. In a featured review entitled Big Techs and Startups in Pharmaceutical R&D — A 2020 Perspective on Artificial Intelligence that ranked both large technology and startup companies in AI-driven pharmaceutical research and development, we ranked the highest amongst the 398 AI startup companies analyzed in the study in terms of the total number of scientific publications covering the use of AI in pharmaceutical research and development, and we were among the top three in terms of the number of AI-related patent applications.

Leading the application of quantum computing to generative AI drug development

Quantum computing is an emerging field of computation that uses quantum systems to process information. Unlike traditional computing, which uses bits that can only be in one of two states, zero or one, quantum computing uses qubits that can be in a superposition of states, providing opportunities for high parallelization, true randomness, and vast memory space in information processing.

Quantum computers can provide exponential speedups in solving certain problems compared to their classical counterparts, which can be particularly useful in generative chemistry and drug discovery and development. For example, quantum computers can process large amounts of data and run machine learning ("ML") algorithms far more efficiently than their classical counterparts, which could advance fields limited by computational bottlenecks such as protein structure prediction and network analysis.

We have established a quantum computing research group to enable generative chemistry applications on real quantum computers. We believe that quantum computers will add new capabilities to generative chemistry applications, enabling dynamic simulations of protein behavior and the generation of novel molecules with desired properties in dynamic systems. We investigated the utility of a hybrid quantum-classical GAN for small molecule discovery. The noise generator and discriminator of the GAN were replaced by a variational quantum circuit ("VQC") to generate novel molecules. Our hybrid quantum-classical GAN model outperformed its classical counterpart, with the VQC-based discriminator showing superior performance in terms of generated molecule properties and KL score. We are now working to further improve the performance of the hybrid model and integrate it into our pipeline.

Unique dual CEO structure increasing focus on technological innovation and R&D execution

We have a unique dual CEO structure that allows us to leverage the respective strengths of each leader and is the basis of a management partnership that provides additional focus on technological innovation and operational execution. Our founder and CEO, Mr. Alex Zhavoronkov, Ph.D., is a leading expert in the field of generative AI. He oversees innovation of our generative AI platform and implementation of other business and strategic initiatives at the firm, such as the launch of a robotics laboratory and our expansion into new strategic markets. Our CSO and co-CEO, Mr. Feng Ren, Ph.D. is a pharmaceutical industry veteran, and he guides our R&D strategy and operational oversight and execution of our growing R&D organization. Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D. also respectively oversee our sizable generative AI and drug development R&D teams. Our in-house R&D capabilities are complemented with an external network of over 40 CROs and CDMOs that support our discovery, preclinical and clinical activities.
The performance of our R&D organization is demonstrated by the rapid development of our Core Product, ISM001-055, into the clinic. It only took 18 months to advance ISM001-055 to the preclinical candidate stage and only an additional nine months to advance our Core Product into Phase I clinical trial. Furthermore, we were able to nominate nine preclinical candidates within the span of one year, which is substantially higher than the industry average of nominating one preclinical candidate per 4.5 years.

We have established a cutting-edge target discovery and validation lab at our Suzhou location that complements our end-to-end generative AI platform and moves us closer to our vision for the future of drug discovery. Dubbed the “Life Star 1,” the robotics lab serves to couple our Pharma.AI backbone, with its full suite of generative capabilities, with comprehensive wet lab capabilities to automate certain drug R&D workstreams, reduce experimental bias and aid with decision-making. The combination of the robotics laboratory with our generative AI platform will have the potential to enhance our internal drug discovery efforts, particularly in the areas of target validation, analysis of target biology and biomarkers, indication selection, combination strategy analysis and boost our translational medicine capabilities.

As a next-generation robotics lab, the Life Star 1’s objective is to phase out human intervention from the drug discovery process to reduce experimental errors, human bias and other possible issues. Compared to earlier generation robotics laboratories, the Life Star 1 endeavors to minimize human intervention from the decision-making process as well. The generative AI-enabled Life Star 1 will be able to automate target selection, experimental design and execution of experiments to collect experimental data to generate and test disease hypotheses and further validate and train our AI models. The automation of our robotics lab eliminates human target selection bias and opens up the potential for more efficient discovery of novel drugs and treatments. We will work to optimize the design of the Life Star 1 to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs.
A global organization with strong validation from the biopharmaceutical industry and backed by renowned investors

We have a global team of world-class scientists, AI engineers and business leaders focused on developing a pipeline of novel potential therapies targeting unmet need by leveraging our generative AI platform. These drug candidates will be advanced through a combination of our internal efforts and through partnerships. Our team is distributed globally, allowing us to establish a local presence in key geographies to support recruitment of top scientific talent, build relationships with new and potential biopharma partners, investors and other stakeholders and support our global business development function. For instance, our New York and Hong Kong offices serve as headquarters for our operations, allowing us to coordinate our efforts to take advantage of talent and opportunities in both Greater China and North America, two key markets. Our Shanghai and Taipei offices focus on drug discovery and development, our Suzhou office houses our robotics lab, and our UAE and Montreal offices house much of our Pharma.AI scientific team. The map below summarizes the global footprint of our operations.

As of the Latest Practicable Date, we had a total of 318 employees and consultants and 255 of them are professionals specializing in R&D, with the vast majority holding a master’s or doctorate degree in a relevant field.

Our team of experts and business operations professionals are guided by our seasoned senior management team, which has collectively contributed to the publication of over 400 research papers and attained over 45 regulatory approvals in the United States and other countries in connection with drug development. Our management team has substantial experience from leading biopharmaceutical companies, academic institutions and other corporations and organizations, including Harvard University, Johns Hopkins University, Queen’s University, University of California San Francisco, University of Pennsylvania, the National Institutes of Health, BioMarin Pharmaceuticals Inc., GlaxoSmithKline plc, Merck & Co., F. Hoffmann-La Roche AG, WuXi Biologics Inc. and Shanghai Medicilon Inc. We have built what we believe to be a world-class team with deep expertise and substantial industry experience that is well-positioned to lead us to future success.

Our CEO and Chairman, Mr. Alex Zhavoronkov, Ph.D., has over 20 years of information technology and AI drug discovery experience. Mr. Zhavoronkov has published over 150 research papers and two books including “The Ageless Generation: How Biomedical Advances Will Transform the Global Economy.” Mr. Zhavoronkov is also the co-organizer of the Annual Aging Research and Drug Discovery Forum, one of Europe’s largest industry events in drug discovery. Prior to founding our Group, Mr. Zhavoronkov worked
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in the Biogerontology Research Foundation. Mr. Zhavoronkov received two bachelor’s degrees from Queen’s University, Canada in 2001, a master’s in Biotechnology from Johns Hopkins University in 2007, and a Ph.D. in Physics and Mathematics from Moscow State University in 2008.

Our co-CEO and Chief Science Officer, Mr. Feng Ren, Ph.D., has over 14 years of experience across pharma and CROs in both the U.S. and China. He was Senior Vice President, Head of Chemistry and Biology of Shanghai Medicilon Inc. (SSE Stock Code: 688202.SHA), a contract research organization from February 2018 to January 2021. From January 2007 to January 2018, Mr. Ren worked in GlaxoSmithKline PLC (LSE Stock Code: GSK), a global pharmaceutical company, with his final position being director, head of chemistry in neurodegeneration DPU. Mr. Ren has published approximately 30 peer-reviewed research papers. Mr. Ren received his bachelor’s degree in Polymer Science from the University of Science and Technology of China in 1998, a master’s in Inorganic Chemistry from the National University of Singapore in 2000 and a Ph.D. in Organic Chemistry from Harvard University in 2007.

Our President, Mr. Alex Aliper, Ph.D., has over 12 years of experience in bioinformatics and deep learning. He was a former Senior Bioinformatics Scientist at CPHOI and was formerly with GeneGo which was acquired by Thomson Reuters. He has published over 50 peer-reviewed publications and was featured on Endpoints News’ “The 20 under 40 in Biopharma.” Mr. Aliper received his Ph.D. from Federal State Institution A.I. Burnazyan Federal Medical and Biophysical Center.

Our Chief Financial Officer, Nirav Jhaveri, CFA, has over 20 years of experience in finance. He was the former CFO of Journey Medical Corp, the former VP of Business Development at Fortress Biotech and a former analyst in equity research at Citigroup. Mr. Jhaveri received his B.A. from the University of Pennsylvania in May 1999 and his MBA from New York University’s Stern School of Business in the United States in May 2005. Mr. Jhaveri is a CFA charterholder.

Our Chief Business Officer, Ms. Michelle Chen, Ph.D., has over 20 years of experience in business development, R&D and commercialization. She was the former SVP and head of Corporate Development and Discovery Business Development at WuXi Biologics. She was also the former Executive Director of Business Development, Search and Evaluation at Merck and the biotechnology executive role at Roche. She received her Ph.D. from the University of Washington.

Our Chief Medical Officer, Dr. Sujata Rao, has over 30 years of experience in extensive clinical development, academic and medical practice. She previously worked at Eli Lilly, and served as a medical director of integrative sciences at Bristol-Myers Squibb. Dr. Rao received her doctor’s degree of medicine from the State University of New York in June 1984.

We have received strong external validation of our platform with collaborations with leading industry partners around the globe, including 10 of the top 20 global pharmaceutical companies in terms of 2021 reported sales.

We have enjoyed long-term support from globally leading financial and strategic investors in technology, healthcare and AI industries, including Warburg Pincus, Qiming Venture Partners, WuXi AppTec, B Capital Group, Prosperity 7, OrbiMed, Deerfield, Pavilion Capital, PIDC, CPE fund, Mirae Asset Capital, Lilly Asia Ventures, Eight Roads, Lake Bleu Capital, Baidu Ventures and Sinovation Ventures. We have raised over US$400 million as of the Latest Practicable Date and will continue to fund our future growth through internal and external resources.

We have strong business development abilities and collaborate with top institutions, universities, and industry leaders on our core AI projects. We collaborate with the University of Cambridge, Fosun, Sumitomo Dainippon Pharma, Teva, Centogene and other undisclosed partnerships on our PandaOmics application. We also collaborate with the Bill & Melinda Gates Foundation, Merck, Fosun, UCB Pharma and other undisclosed partnerships on our Generative Chemistry application.
OUR STRATEGIES

Our goal is to discover and develop drugs expeditiously and at lower cost by leveraging the power and breadth of our generative AI technology platform, augmented by our team’s experience in drug discovery and development. Our vision is to harness the power of our platform in target discovery, de novo synthesis of drugs and clinical trial optimization to develop novel therapies targeting unmet need. Our strategies for achieving those objectives are set forth below.

Advance the development of our first-in-class drug candidate for the treatment of IPF while pursuing additional fibrosis indications

Our AI-identified TNIK is a hub regulator of several profibrotic signaling pathways. These pathways are implicated in the underlying disease pathology of multiple fibrotic diseases and our small molecule drug candidate could have therapeutic value in multiple fibrotic settings, supported by early promising data in IPF, and kidney fibrosis.

We remain focused on the development of our Core Product, ISM001-055, a potential first-in-class drug candidate with a potent inhibitory effect on TNIK. We have completed a Phase I clinical trial in New Zealand, which showed the drug to be safe in healthy volunteers. We have also received umbrella approval from the NMPA to conduct Phase I, II and III clinical trials in China. Based on this approval, we initiated a Phase I clinical trial in healthy volunteers in China in July 2022 as evidenced by the first healthy volunteer dosing in, and completed it in March 2023.

Our next step is to complete a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055. This trial is being conducted in China and will evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. We initiated the China Phase IIa clinical trial under the NMPA umbrella approval in April 2023. We filed an IND application with the FDA for the Phase IIa trial in the U.S. in February 2023 and received the IND approval in June 2023. After successfully completing a Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication. We are currently also exploring inhalation as an alternative administration route for ISM001-055 for the treatment of IPF. Inhalation administration can deliver ISM001-055 directly into the respiratory tract and offer a more lung-specific treatment with fast and effective local therapeutic effects, lower systemic exposure and reduced possible side effects. For more details on our clinical development plan for ISM01-055, see “— Clinical Development Plan.”

We are evaluating ISM001-055 for the treatment of kidney fibrosis. Both in vitro and in vivo studies have shown that ISM001-055 has inhibitory effects on kidney fibrosis. In an in vitro study, ISM001-055 inhibited α-SMA expression in HK-2 cells at an IC50 of 0.104 μM. In an in vivo study using mice with induced kidney fibrosis, ISM001-055 reduced Sirius-red staining and collagen type 1 staining intensity in kidney tissues, as well as decreased kidney hydroxyproline content.

We are also exploring inhalation as an alternative administration route for ISM001-055 for the treatment of IPF. Inhalation administration can deliver ISM001-055 directly into the respiratory tract and offer a more lung-specific treatment with fast and effective local therapeutic effects, lower systemic exposure and reduced possible side effects. We expect to file an IND application of inhalation administration for the treatment of IPF by early 2024.

Advance our pipeline in a rapid, focused and efficient manner

Leveraging our Pharma.AI platform and robotics laboratory, we plan to advance our pipeline in a rapid, focused and efficient manner. We plan to utilize our network of over 40 CROs and CDMOs to perform IND-enabling studies for our nominated preclinical candidates and advance those programs into the clinic either on our own or in collaboration with other external parties. We may also out-license some of those programs to reduce R&D spend and monetize those drug candidates at an earlier stage. Other than our
agreement with Fosun with respect to ISM8207, we had not entered into any definitive agreement regarding the out-licensing of our programs as of the Latest Practicable Date.

As of the Latest Practicable Date, we expect to advance our internal discovery-stage programs and nominate four to five additional preclinical candidates and initiate IND-enabling studies in the next 12 months. We also expect to advance two programs into the clinical trial stage in the next 12 months. In line with our collaboration business model, we will also advance our partnered pipelines according to current or future R&D collaboration agreements.

To facilitate the advancement of our pipeline programs, we also plan to leverage our robotics laboratory and expand its range of capabilities, including further integration with our generative AI platform.

**Execute on our collaboration strategy to create value for stakeholders**

We plan to execute our business plan by seeking future opportunities for research and development collaboration and software licensing. We may also explore the option of out-licensing our more advanced drug candidates. As we generate additional preclinical and clinical data as our pipeline progresses, we aim to advance our business development discussions with potential customers and negotiate more favorable commercial terms.

We will continue to expand our existing R&D collaborations and establish new ones with leading international and domestic pharmaceutical companies to accelerate development of our pipeline, further validate our platform and business strategy, strengthen our financial position and deliver value to stakeholders. Over time, we expect to deepen our existing business relationships to expand R&D collaborations and target higher economic value opportunities.

We are building out a global team to support the expansion of our existing collaborations and the identification of new strategic collaboration opportunities. We also opportunistically evaluate monetization opportunities for our wholly owned pipeline programs on a case-by-case basis to optimize the value of each program and maximize the impact of AI-enabled drug discovery and development.

**Invest in the continuous innovation of our Pharma.AI platform**

As the foundation of any AI-platform rests on the quality and quantity of the data used to train the algorithms, a vital part of our effort to improve our generative AI-platform involves the expansion of our extensive proprietary datasets. We plan to accomplish this by continuing to draw on data from the public domain, including omics, chemical structure and text search data and carefully selecting only the best data for the training of our algorithms. We intend to license suitable commercially-available database and obtain data from our various strategic collaboration with pharmaceutical companies and research institutions to supplement our repertoire of high-quality, curated datasets.

To enhance the predictive power of the AI models in our generative AI platform, we plan to continue to validate our AI models through wet lab experiments, including by utilizing our next generation robotics lab as a means to generate valuable real-world experimental data to further train and validate our AI models. Our Pharma.AI platform generates predicted omics data/responses, then designs wet lab experiments to be carried out automatically in our robotics lab. The result of these experiments will help us validate whether the initial predictions by our platform were correct and thus help us train the AI models. The entire process will be fully automatic with seamless integration between the AI and wet lab components of the robotics lab, allowing for rapid iteration and improvement.

We believe our differentiated focus on achieving an end-to-end solution provides significant synergies across the entire drug discovery and development process. We plan to further integrate new synergistic technologies that could bolster our end-to-end drug development process, including AI-driven robotics laboratories and innovative drug delivery methods.
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We expect our business development activities to focus on increasing awareness of our pipeline and related data, deepening understanding of our platform capabilities and highlighting our competitive advantages as a company. This, in turn, could lead to successful monetization opportunities for both our pipeline and our platform.

Continue to attract, nurture and retain skilled talent

We focus on selecting, developing and retaining top talent. With scientific innovation at the core of our business, we will continue to attract, develop and retain talent to support our ongoing efforts in research discovery and product development, support our expanding R&D organization and to further foster an innovation-driven culture.

To support our continued growth, we will continue to expand our talent pool. As more of our drug candidates advance into the clinic, we intend to strengthen our team by attracting talent with extensive experience in clinical development and regulatory affairs.

OUR BUSINESS MODEL

Our business model includes pipeline development and asset out-licensing, strategic collaborations and generative AI software out-licensing. This model provides us with multiple growing sources of revenue.

• Pipeline Development and Strategic Collaborations. We have invested substantially to create a rich drug discovery and development pipeline targeting areas of unmet need spanning oncology, immunology, fibrosis and other therapeutic areas. We chose these disease areas because these areas have huge unmet medical needs and a high amount of available patient omics data, allowing us to fully utilize our PandaOmics AI target discovery engine to identify novel targets with high confidence. Our typical pipeline product advances to the IND-enabling stage within 12 months, which is considerably faster than the industry average of 4.5 years using traditional methods for drug development. We have achieved this kind of efficiency through our unique dual-CEO structure that integrates our AI-platform development team and therapeutics pipeline development team so that the two teams can leverage their respective areas of expertise and synergistically work together to contribute to our objectives. To further enhance our pipeline development capabilities and improve our generative AI drug development platform, we enter into strategic collaborations to explore new potential targets and drug candidates that have the potential to become part of our drug development pipeline. We have entered into several drug discovery and development collaborations involving multi-target deals with pharmaceutical companies. A typical collaboration deal includes a mix of an upfront payment, royalties and success-based development and commercial milestones. Some of our major collaborations include programs with Fosun that in total may allow us to receive up to US$82 million for our performance and a co-development program with Sanofi that may allow us to receive up to US$1.2 billion in potential research and development and commercial milestones. For additional information, please see “— Material Collaboration and Licensing Arrangements.”

• Asset Out-licensing. As more of our pipeline assets mature, our asset out-licensing offering is becoming increasingly attractive to pharmaceutical companies for licensing and commercialization, potentially providing us with significant monetization opportunities. While we reserve the right to advance any asset to a late clinical or commercial stage, we will consider the out-licensing of our drug assets on a case-by-case basis.

• Generative AI Software. We also allow customers to license each of the three components of our Pharma.AI platform, namely Biology42, Generative Chemistry and Medicine42, for target discovery, small molecule generation and clinical trial prediction. The versatility of our AI platforms appeals to a customer base that extends beyond traditional pharmaceutical companies and academic institutions. For example, Generative Chemistry’s small molecule generation
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capabilities have been applied to research and development in agriculture science while inClinico has the potential to be a valuable tool for the investment community to assess the likelihood of success of a clinical trials. In addition to providing a growing, recurring source of revenue for the company, these out-licensing agreements provide valuable external data feedback that could be used to improve our AI models.

DRUG CANDIDATES

We have leveraged our Pharma.AI platform and strategically designed and developed a diversified pipeline programs with a therapeutic footprint in fibrosis, oncology, immunology and other therapeutic areas. We chose these disease areas because these areas have huge unmet medical needs and a high amount of available patient omics data, allowing us to fully utilize our PandaOmics target discovery AI engine to identify novel targets with high confidence. Our pipeline includes one clinical-stage asset in Phase II studies, two clinical-stage assets in Phase I studies, ten preclinical assets and multiple early discovery stage assets as of the Latest Practicable Date. The following chart summarizes the development status of our clinical-stage drug candidates and selected preclinical-stage drug candidates as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Product Candidate</th>
<th>Target</th>
<th>Mechanism</th>
<th>Indication</th>
<th>Discovery Stage</th>
<th>IND-enabling Phase</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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<tbody>
<tr>
<td>ISM001-055</td>
<td>TNIK</td>
<td>EMT, FMT, fibroblast macrophage activation</td>
<td>Idiopathic Pulmonary Fibrosis (IPF)</td>
<td>China (NMPA), US (FDA)</td>
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<td>USP1</td>
<td>Synthetic lethality</td>
<td>BRCA-mutant Cancer</td>
<td>US (FDA)</td>
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<td>3CL**</td>
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<td>COVID-19</td>
<td>China (NMPA)</td>
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<td>N/A</td>
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<td>Immune-oncology</td>
<td>Co-development with Fosun</td>
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<td>PHD1/2</td>
<td>EPO induction and iron utilization</td>
<td>Anemia of Chronic Kidney Disease</td>
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<td>TEAD</td>
<td>Cell proliferation and survival</td>
<td>Solid Tumors</td>
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<td>ISM3412</td>
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<td>Synthetic lethality</td>
<td>MTAP+ Cancer</td>
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Abbreviations: TNIK = TRAF2 and NCK interacting kinase; PHD1/2 = prolyl hydroxylase domain-1/2; QPCRT = glutaminyl-peptide cyclotransferase-like; 3CL** = 3-chymotrypsin-like protease; USP1 = ubiquitin specific peptidase 1; MAT2A = methionine adenosyltransferase 2a; DGKA = diacylglycerol kinase alpha; KAT6 = K (lysine) acetyltransferase 6; ENPP1 = ectonucleotide pyrophosphatase / phosphodiesterace 1; CDK12 = cyclin dependent kinase 12; c-MYC = c-myelocytomatosis oncogene product; EMT = epithelial-mesenchymal transition; FMT = fibroblast-to-myofibroblast transition; EPO = erythropoietin; BRCA = breast cancer gene; MTAP = methylthioadenosine phosphorylase; ER = estrogen receptor; HER2 = receptor tyrosine-protein kinase ErbB-2; TEAD = transcriptional enhanced associate domain.

Notes:
(1) FDA granted ISM001-055 the orphan drug designation for its IPF indication.
(2) The discovery stage includes drug target identification, hit identification, hit-to-lead optimization and lead optimization. Discovery and IND-enabling studies are preclinical stage studies.
(3) We entered into an agreement with Fosun in November 2021 to co-develop drug candidate against the drug target QPCRT. Preclinical data presented in this Document are generated by our research service suppliers under our direction without the participation of Fosun. We take the leading role for the clinical development of drug candidates for QPCRT through Phase I trial, with the roles of each party for the development of QPCRT from Phase II trial to be negotiated after Phase I trial completion. For additional information, see "Business — Material Collaboration and Licensing Arrangements — Collaboration with Fosun."
BUSINESS

(4) As of the Latest Practicable Date, we have three on-going clinical trials for our drug candidates ISM001-055, ISM3091 and ISM3312. For additional information regarding our on-going clinical trials, see “Business — Clinical and IND-enabling Stage Candidates.”

(5) All programs are designed for oral administration unless otherwise indicated.

CLINICAL AND IND-ENABLING STAGE CANDIDATES

Core Product ISM001-055: A Small Molecule Inhibitor of TNIK for the Potential Treatment of IPF

ISM001-055 (Oral Administration)

Overview

ISM001-055 is a potent and selective small molecule inhibitor of TNIK with high affinity as a potential treatment of IPF, which is a fatal lung disease characterized by distorted lung architecture and loss of respiratory function. The results of the Phase I clinical trial in New Zealand demonstrated good safety, tolerability and PK data of ISM001-055 in healthy volunteers. The results of a Phase I clinical trial in China also demonstrated similar encouraging safety and tolerability of ISM001-055 in healthy volunteers. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial to evaluate the safety, tolerability, PK and efficacy of ISM001-055 in China in April 2023 and plan to initiate the U.S. Phase IIa clinical trial in the second half of 2023. Furthermore, ISM001-055 received orphan drug designation from the FDA in February 2023, qualifying us for incentives including a potential seven-year market exclusivity after approval.

By leveraging our Pharma.AI platform, we discovered a novel anti-fibrotic target, TNIK, with a potential role in multiple fibrotic settings and we identified a series of novel small molecules against TNIK with potent inhibition of IC50 values less than 100 nM, and further optimized these molecules for essential features. We then selected compounds for synthesis and testing in in vitro pharmacology assays and nominated ISM001-055 as a drug candidate for the potential treatment of IPF.

Mechanism of Action

TNIK is a member of germinal center kinases family. TNIK is a promising therapeutic target for IPF because it is involved in several IPF-related signaling pathways, including TGF-ß1 and NF-kB. The TGF-ß1 signaling pathway may contribute to IPF by promoting ECM deposition and myofibroblast activation. In addition, TNIK may have a direct regulatory effect on the TGF-ß1 signaling pathway through Smad transcription factors. For example, studies have shown that overexpression of TNIK caused weak Smad1 T322 phosphorylation and that knockdown of TNIK potently inhibited TGF-ß1-induced Smad2/3 phosphorylation.

IPF is a disease characterized by alveolar epithelial cell injury and hyperplasia, increased extracellular matrix (“ECM”) deposition and myofibroblast activation. These processes lead to distortion of lung architecture and loss of respiratory function.

In light of TNIK’s interactions with these pro-fibrotic pathways, it could be a hub regulator whose inhibition may lead to amelioration or even termination of the fibrotic processes. There could be synergistic effect of the inhibition of multiple well-characterized pro-fibrotic pathways, including TGF-ß1, NF-kB and YAP/TAZ. ISM001-055 is an ATP-competitive reversible TNIK inhibitor As illustrated below, ISM001-055 exhibited a high inhibitory potency against TNIK. The anti-fibrotic effect of ISM001-055 was validated in both in vitro and in vivo studies using several fibrosis models where the levels of fibrotic markers and some inflammatory cytokines were downregulated. In addition to targeting fibrosis, ISM001-055 also has a potential role in cancer treatment (particularly solid tumors).
The diagram below illustrates the potential role of TNIK as a hub regulator for pro-fibrotic pathways and the mechanism by which inhibition of TNIK by ISM001-055 could affect multiple pro-fibrotic signaling pathways.

Note: "P" denotes phosphorylation

**Market Opportunity and Competition**

IPF is a chronic disease that causes scarring of the lungs, making it increasingly difficult to breathe as the lungs lose their elasticity. IPF is most commonly diagnosed in people over the age of 65 with a medium overall survival of only two to three years from diagnosis. According to Frost & Sullivan, the incidence of IPF worldwide increased from 534.3 thousand in 2017 to 575.1 thousand in 2021, at a CAGR of 1.9%. The IPF drug market grew from US$1.7 billion in 2017 to US$3.3 billion in 2021, at a CAGR of 17.4%. It is expected to grow further to US$5.0 billion and US$7.1 billion by 2025 and 2030, representing a CAGR of 11.1% and 7.3% respectively. Currently, there are only two drugs approved worldwide for the treatment of IPF, namely pirfenidone and nintedanib, which were both initially approved in 2014. Both are also available in the U.S., EU and China. In addition, numerous drugs are currently in clinical trials for the treatment of IPF.

**Our Advantages**

**Selective Inhibition of TNIK and Reduction of Fibrosis-related Markers Demonstrated in Preclinical Studies**

ISM001-055 is an inhibitor of TNIK, which could inhibit TGF-ß induced expression of fibrotic proteins without showing non-specific cytotoxicity. The selectivity of ISM001-055 was evaluated using a panel of 430 kinase enzymes. ISM001-055 exhibited at least 10-fold selectivity over the majority of the kinases in the panel and enzymatic assays of the ISM001-055 demonstrated a half-maximal inhibitory concentration ("IC_{50}"’) of 23 nM, indicating strong inhibition against TNIK.

In particular, ISM001-055 demonstrated high inhibitory potency against TNIK in LX-2 cells (human hepatic stellate cell line) and MRC5 cells (human embryonal lung fibroblast cell line) by suppressing key fibrotic markers, such as alpha-smooth muscle actin ("α-SMA") and collagen, supporting its potential in treating pulmonary fibrosis, such as IPF. As shown below, ISM001-055 showed inhibition of TGF-ß-induced collagen and α-SMA expression with IC_{50} values of 55 nM and 65 nM, respectively, in LX-2 cells, and inhibition of TGF-ß-induced α-SMA expression with an IC_{50} value of 13 nM in MRC5 cells.
ISM001-055 Demonstrated High Potency against Multiple Fibrosis Markers

<table>
<thead>
<tr>
<th>Assay</th>
<th>Mean IC$_{50}$ (nM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collagen I in LX-2 cells</td>
<td>55</td>
</tr>
<tr>
<td>α-SMA in LX-2 cells</td>
<td>65</td>
</tr>
<tr>
<td>α-SMA in MRC5 cells</td>
<td>13</td>
</tr>
</tbody>
</table>

Favorable Preclinical Safety and Efficacy Profile

As part of our IND-enabling studies, toxicology studies demonstrated that ISM001-055 was generally well tolerated in mice and beagle dogs. Final results of our 28-day toxicity studies suggested that the no-observed-adverse-effect level ("NOAEL") values in dogs and mice were 10 mg/kg/day and 30 mg/kg/day, respectively. NOAEL values of 13-week toxicity studies were determined as 5 mg/kg/day in dog and 40 mg/kg/day in mice. All these pivotal 4- and 13-week toxicity studies provided reasonable safety margins to support the dosing regimen of clinical studies. There was no genotoxicity or phototoxicity concerns of ISM001-055. More importantly, in an exploratory first-in-human, single microdose Phase 0 study in Australia in healthy adults, eight healthy adults between the ages of 18 and 42 were enrolled and received a single intravenous injection of ISM001-055 at a dose of 100 μg. The results suggested that ISM001-055 was well tolerated in healthy adults when administered as a 100 μg single dose, demonstrating a favorable safety and PK profile in humans. The results of Phase I clinical trials in New Zealand and China also demonstrated that ISM001-055 had favorable safety and tolerability in healthy volunteers.

Furthermore, ISM001-055 can treat IPF by inhibiting both epithelial-to-mesenchymal transition ("EMT") and fibroblast-to-myofibroblast transformation ("FMT") processes with good IC$_{50}$ data. In translational pharmacology studies, ISM001-055 potently antagonized EMT and FMT in primary human lung fibroblasts and bronchial epithelial cells, respectively, derived from healthy donors and patients with IPF, as shown below.

ISM001-055 Demonstrated a Potent Antagonizing Effect on EMT and FMT

<table>
<thead>
<tr>
<th>Assay</th>
<th>Mean IC$_{50}$ (nM) of Healthy Donors</th>
<th>Mean IC$_{50}$ (nM) of IPF Donors</th>
</tr>
</thead>
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<tr>
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<td>64</td>
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<tr>
<td>EMT</td>
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</table>

Furthermore, we evaluated ISM001-055 in a bleomycin-induced lung fibrosis mouse model, a well-known preclinical model to evaluate efficacy in treating pulmonary fibrosis. In this study, mice were dosed with bleomycin by intra-tracheal administration to induce pulmonary fibrosis, and one week later, the mice were treated for three weeks with either three different doses twice-daily of ISM001-055 (3, 10 and 30 mg/kg) or 60 mg/kg once-daily of nintedanib, one of the two approved standard of care treatments for IPF. Mice treated by saline (50 μL) on day one with subsequent vehicle without any compound was used as sham control and mice after bleomycin treatment received subsequent vehicle without any compound was used as model vehicle. As illustrated in the figures below, a two-week treatment with ISM001-055 resulted in an improvement of respiratory function and three-week treatment with ISM001-055 resulted in a dose-dependent reduction of the lung fibrosis score, fibrotic area and a significant decrease in the fibrotic biomarker α-SMA. All three doses of ISM001-055 demonstrated obvious improvement for lung function comparable to that of nintedanib, even at lower daily doses of 6 to 20 mg/kg. As measured via whole body plethysmography, enhanced pause ("Penh") was a respiratory parameter with higher value indicating more difficult in breathing. Even ISM001-055 at the 6 mg/kg/day dose, the lowest dose evaluated, demonstrated lung function improvement comparable to 60 mg/kg/day of nintedanib, as shown in the figures below. Furthermore, both the modified Ashcroft score, a well-established scoring system with higher scores
indicating more fibrosis, and the expression of the fibrosis marker α-SMA were significantly reduced by ISM001-055, starting already at the lowest dose. These results support the high potency of ISM001-055 and the potential activity of ISM001-055 for the potential treatment of IPF.

ISM001-055 Demonstrated Efficacy in Improvement of Lung Function Comparable to Nintedanib at Lower Doses and Exhibited Anti-fibrotic Activity in All Tested Doses in a Bleomycin-induced Mouse Model

ISM001-055 Demonstrated Anti-inflammatory Activity in the Lipopolysaccharide-induced Acute Lung Injury Mouse Model

Abbreviation: IHC = immunohistochemistry.

Inflammation plays a crucial role in the development and progression of lung fibrosis. ISM001-055 showed a significant anti-inflammatory effect in the lipopolysaccharide-induced acute mouse lung injury model. Inflammation in the mice was induced by lipopolysaccharide and treated with either vehicle, dexamethasone (a drug for the treatment of inflammation as a positive control), or ISM001-055, evaluated at both 3 or 10 mg/kg BID (one dose before and the other dose after lipopolysaccharide treatment) and 6 and 20 mg/kg QD (single dose after lipopolysaccharide treatment) doses. As shown in the figure below, compared to the vehicle treated model group in which inflammatory cytokines were induced, ISM001-055 treatment at 3 mg/kg or 10 mg/kg BID significantly decreased the level of several inflammatory cytokines, such as IL-6, and increased the level of some anti-inflammatory cytokines, such as IL-4, in bronchoalveolar lavage fluid, reverting the changes induced by lipopolysaccharide. Compared to the vehicle treated model group, ISM001-055 treatment at 6 mg/kg and 20 mg/kg QD significantly decreased total cell numbers, lymphocyte, and neutrophil numbers in bronchoalveolar lavage fluid, decreased various inflammatory cytokines, such as IL-6, and increased the level of some anti-inflammatory cytokines, such as IL-4, in bronchoalveolar lavage fluid, reverting the changes induced by lipopolysaccharide.

ISM001-055 Demonstrated Anti-inflammatory Activity in the Lipopolysaccharide-induced Acute Lung Injury Mouse Model
BUSINESS

Potential Additive Benefit When Combined with Pirfenidone Demonstrated in Preclinical Studies

In another in vivo experiment on bleomycin-induced pulmonary fibrosis in mice, we used the lowest active dose of 3 mg/kg ISM001-055 alone and in combination with sub-therapeutic doses of pirfenidone or nintedanib, respectively, the two current standards of care for IPF. The results not only confirmed the anti-fibrotic activity of ISM001-055 at a dose of 3 mg/kg BID, but also showed promising effects of ISM001-055 and sub-therapeutic dose of pirfenidone in a combination therapy. Even at low doses, the combination of ISM001-055 and pirfenidone attenuated fibrosis development, reducing pulmonary fibrosis-related markers, improved lung function and decreased the fibrosis area and showed better efficacy than ISM001-055 or pirfenidone alone, as shown below. Thus, a combination therapy approach presents opportunity for treating IPF, a complex disease, by combing therapies of different mechanisms or activities.

Low-Dose ISM001-055 in Combination with Low-Dose Pirfenidone Demonstrated More Benefits in Improvement of Lung Function and Anti-Fibrotic Activities in the Bleomycin-Induced Mouse Model

Summary of Clinical Trial Results

As of the Latest Practicable Date, several clinical trials worldwide have been conducted to evaluate the safety and efficacy of ISM001-055. In these trials, ISM001-055 was generally well-tolerated in volunteers and exhibited promising evidence of safety. The trial results of key clinical trials are summarized below.

Phase I Clinical Trial in New Zealand

Overview. We completed a randomized, double-blind, placebo-controlled Phase I study featured single and multiple ascending doses and drug-drug interaction study in February 2023 in New Zealand to evaluate the safety, tolerability, PK, food effects, and drug-drug interaction potential of ISM001-055 in healthy volunteers. The primary objective of this clinical trial was to assess the safety and tolerability of single and multiple oral ascending doses of ISM001-055 administered to healthy volunteers. The secondary objectives included determination of the PK of ISM001-055 following single and multiple oral ascending doses in healthy volunteers and the assessment of the food effect on the PK of ISM001-055 following an oral dose.

Trial design. The clinical trial adopted a single ascending dose (Part A), multiple ascending dose (Part B) and drug-drug interaction (Part C) study design, with 78 healthy volunteers between the ages of 18 and 55
enrolled. The primary endpoints for safety and tolerability included monitoring and recording of clinical laboratory test results (hematology, coagulation, serum chemistry, urinalysis, and fecal occult blood test), vital sign measurements, 12-lead ECG results, and physical examination findings. The primary endpoints for PK study included measurements of plasma PK parameters for Part A study, plasma and urine PK parameters for Part B study and plasma PK parameters for Part C study. For Part A study, eight healthy volunteers were assigned to each of five sequential dose cohorts: 10 mg (Cohort 1), 30 mg (Cohort 2), 60 mg (Cohort 3), 90 mg (Cohort 4) and 120 mg (Cohort 5). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (six volunteers for ISM001-055, two for placebo) for a single-dose treatment. For Part B study, eight healthy volunteers were assigned to each of three sequential dose cohorts: 30 mg QD (Cohort 1), 60 mg QD (Cohort 2) and 120 mg QD (Cohort 3). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (six volunteers for ISM001-055, two for placebo) for a seven-day treatment. For Part C study, 14 healthy volunteers received a single oral dose of caffeine 200 mg on Day one, followed by a washout from Day two to four, and subsequently received multiple oral doses of ISM001-055 120 mg QD for 14 days (Day five through 18) with a single oral dose of caffeine 200 mg on Day 18.

Trial status. The Phase I clinical trial was initiated in February 2022 with dosing for the first patient and the final clinical study report was issued in March 2023.

Safety data. Single and multiple oral ascending doses of ISM001-055 were generally safe and well tolerated by healthy volunteers in this study. For Part A study, 11 of 30 subjects (36.7%) who received ISM001-055 and 4 of 10 subjects (40.0%) who received placebo experienced at least 1 treatment emergent adverse event (“TEAE”). A total of 21 TEAEs were reported. All TEAEs were of mild severity and resolved. There were no deaths or serious adverse event (“SAE”) during the study, and no subject discontinued the study treatment due to TEAEs. For Part B studies, 16 of 18 subjects (88.9%) who received ISM001-055 and 5 of 6 subjects (83.3%) who received placebo experienced at least 1 TEAE. A total of 55 TEAEs were reported. There were no deaths or SAE reported during the study. One participant receiving ISM001-055 in the multiple ascending dose 30 mg once daily cohort discontinued the study treatment due to a moderate TEAE of influenza-like illness, which was considered as not related to the study treatment. All other TEAEs were mild in severity, and no dose-related trends were observed in TEAEs. In addition, for Part C study, combination of caffeine with ISM001-055 was also safe and well tolerated by healthy volunteers, and there were no deaths, SAEs, or TEAEs leading to discontinuation of the study drug with the exception of one subject who discontinued treatment due to a moderate TEAE of ALT increase.

Phase I Clinical Trial in China

Overview. We completed a randomized, two-part, double-blind, placebo controlled, parallel Phase I clinical trial with single and multiple ascending doses in China to evaluate the safety, tolerability and PK of ISM001-055 administered as oral doses in healthy volunteers. The primary objective of this study was to assess the safety and tolerability of single and multiple oral ascending doses of ISM001-055 administered to healthy volunteers. The secondary objectives of this study included determination of the PK of ISM001-055 following single and multiple oral ascending doses in healthy volunteers and assessment of the effects of biomarkers following single and multiple oral ascending doses of ISM001-055 in healthy volunteers, as a measure of safety and/or pharmacological activity.

Trial design. Similar to the Phase I clinical trial in New Zealand, the Phase I clinical trial in China adopted a combined single ascending dose (Part A) and multiple ascending doses (Part B) design, with 48 healthy volunteers between the ages of 18 and 45 enrolled. The primary endpoints for safety and tolerability included monitoring and recording of AEs, clinical laboratory test results (hematology, serum chemistry, urinalysis, coagulation and fecal occult blood test), electrocardiograph results, physical examination findings and vitalsign measurements. The primary endpoints for PK study included measurements of plasma and urine PK parameters of the drug and its metabolites after single and multiple ascending doses of ISM001-055. For Part A study, eight healthy volunteers were assigned to each of three sequential dose...
cohorts: 30 mg (Cohort 1), 60 mg (Cohort 2) and 120 mg (Cohort 3). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (six volunteers for ISM001-055, two for placebo) for a single-dose treatment. For Part B study, eight healthy volunteers were assigned to each of three sequential once-daily or twice-daily dose cohorts: 30 mg BID (Cohort 1), 60 mg BID (Cohort 2), 90 mg BID (Cohort 3) and 120mg QD (Cohort 4). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (six volunteers for ISM001-055, two for placebo).

Trial Status. Pursuant to the umbrella IND approval issued by the NMPA in May 2022, the NMPA’s consent for us to conduct clinical trials with a duration of treatment for no more than 13 weeks issued in January 2023 and the approvals from the ethic committee, we initiated the Phase I clinical trial in July 2022 as evidenced by the first healthy volunteer dosing in, and completed the trial in January 2023, with trial completion defined as the completion of the last visit of the last participant in the NMPA approved protocol. The clinical study report for the Phase I clinical trial was issued in March 2023.

Safety data. For Part A study, 10 of 18 subjects (55.6%) who received ISM001-055 and 4 of 6 subjects (66.7%) who received placebo experienced at least 1 TEAE. A total of 23 TEAEs were reported. All TEAEs were mild and recovered by the end of the study. During the course of Part A study, there were no moderate to severe adverse events, serious adverse events, adverse events leading to study withdrawal, or TEAEs leading to death. For Part B study, 16 of 18 subjects (88.9%) who received ISM001-055 and five of six subjects (83.3%) who received placebo experienced at least 1 TEAE. A total of 92 TEAEs were reported. Five volunteers in the ISM001-055 treatment group and two volunteers in the placebo group had moderate TEAE of influenza-like illness, which were not related to the study treatment. All the other TEAEs were mild and all TEAEs were recovered by the end of the study. During the course of Part B study, there were no severe adverse events, serious adverse events, adverse events leading to study withdrawal, or TEAEs leading to death. Thus, the Phase I clinical trial demonstrated that single (30mg-120mg) and/or multiple (30mg, 60mg, 90mg, BID for seven days) oral dose of ISM001-055 capsules was generally safe and well-tolerated in healthy volunteers.

ISM001-055 (Inhalation)

Overview

Compared with oral administration, inhaled ISM001-055 is able to achieve higher lung exposure with lower systemic exposure (AUC lung/plasma ≥ 50). Therefore, inhalation can deliver ISM001-055 directly into the deep lungs, which offers a more targeted approach that will reduce the amount of drug required and thus reduce potential side effects and achieve fast and effective therapeutic effects locally.

The inhalation delivery of ISM001-055 is considered as one of the most efficient routes of drug delivery to the targeted area of lungs. In addition, inhalation administration route is a complex drug delivery technology, which is required to combine formulations and devices, which provides higher technical barriers for generics. We aim to develop the inhalable ISM001-055 for treatment of IPF with low dose and minimal side effects. A feasible solution formulation for inhalation has been developed. The effects of lung function improvement, anti-fibrosis and anti-inflammatory functions of inhaled ISM001-055 were validated in the bleomycin-induced lung fibrosis rat model. We have inititated the IND-enabling studies and expect to file the IND submission in the first quarter of 2024.

Our Advantages

Safety Profile Demonstrated in Preclinical Studies

Inhaled ISM001-055 showed good safety and tolerability in 14-day dose range finding inhalation toxicity studies. In the 14-day rat dose range finding study, no ISM001-055 related mortality, respiratory irritation or systemic toxicity were observed at the dose up to 18.4 mg/kg/day following 14-day consecutive dosing. In the 14-day dog dose range finding study, no ISM001-055 related local or systemic adverse effects were noted when ISM001-055 was administered by inhalation route at the dose up to 7.1 mg/kg/day for 14 consecutive days. Therefore, the NOAEL was determined to be 18.4 mg/kg/day and 7.1 mg/kg/day in
rats and dogs, respectively, which demonstrated greater safety margins (more than 100 folds) from inhalation compared to oral administration.

**Efficacy Profile Demonstrated in Preclinical Studies**

In the efficacy study, the pulmonary fibrosis model was established by bleomycin via airway atomization in rats twice. Inhaled ISM001-055 at 0.040 mg/kg (0.1 mg/mL, 30 min), 0.136 mg/kg (0.3 mg/mL, 30 min), 0.485 mg/kg (1.0 mg/mL, 30 min) and 2.575 mg/kg (6.0 mg/mL, 30 min) was administered once a day for 21 consecutive days. All doses of inhaled ISM001-055, from the lowest dose 0.040 mg/kg dose of (0.1 mg/mL, 30 min) (equivalent to 0.040 mg/kg), showed significant improvement in lung function, which was impaired by bleomycin. Doses of 0.485 mg/kg and 2.575 mg/kg showed significant amelioration in pulmonary fibrosis and inflammation in pathological assessment.

**ISM001-055 Inhalation Improves Lung Function**

![Graphs showing improvement in lung function](image)

**Clinical Development Plan**

We initiated a Phase 0 single microdose study of ISM001-055 in Australia in November 2021 and completed it in December 2021. The primary objective of this study was to determine the PK of plasma ISM001-055 after a single microdose administered to healthy volunteers. The Phase 0 study enrolled eight volunteers and did not identify any risk that would preclude evaluation of ISM001-055 at higher doses. In addition, we have completed two Phase I clinical trials for ISM001-055 in healthy volunteers in New Zealand and China, respectively. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055 in China and plan to initiate it in the U.S. to evaluate the safety,
tolerability, PK and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. Pursuant to the umbrella IND approval issued by the NMPA in May 2022, the NMPA’s consent for us to conduct clinical trials with a duration of treatment for no more than 13 weeks issued in January 2023 and the approvals from the ethic committee, we initiated the Phase IIa clinical trial of ISM001-055 in China in April 2023. The Phase IIa clinical trial is designed to enroll 60 IPF patients, with 15 IPF patients randomly assigned to each of the three following sequential dose cohorts of ISM001-055 or a matched placebo for 12-week duration of treatment: 30 mg QD or 30 mg BID or 60 mg QD. In addition, we filed an IND application with the FDA for the Phase IIa clinical trial in U.S. in February 2023 and received the IND approval for ISM001-055 in June 2023. After successfully completing the Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication.

The FDA has granted orphan drug designation to ISM001-055 in February 2023. Orphan drug designations are drugs deemed to treat a rare disease affecting fewer than 200,000 individuals in the U.S. Orphan drug designation qualifies us for incentives including, tax credits for qualified clinical trials, exemption from user fees and potential seven years of market exclusivity after drug approval.

We are currently also exploring inhalation as an alternative administration route for ISM001-055 for the treatment of IPF. Inhalation administration can deliver ISM001-055 directly into the respiratory tract and offer a more lung-specific treatment with fast and effective local therapeutic effects, lower systemic exposure and reduced side effects. We nominated PCC in June 2023 and expect to file an IND application of inhalation administration for the treatment of IPF in the first quarter of 2024.

Furthermore, we are investigating ISM001-055 for the potential treatment of kidney fibrosis. For the treatment of kidney fibrosis, both in vitro and in vivo studies demonstrated potential inhibitory effects of ISM001-055. In in vitro HK-2 cells (proximal tubular kidney cell line), ISM001-055 inhibited the key fibrotic marker, α-SMA, expression at IC₅₀ of 0.104 μM. In the in vivo unilateral ureteral obstruction-induced kidney fibrosis mouse model, the mice treated with ISM001-055 at doses of 3, 10 and 30 mg/kg, BID, for two weeks showed significant inhibition on kidney fibrosis formation. ISM001-055 at doses of 10 and 30 mg/kg, BID, also showed significant reduction in kidney hydroxyproline content. We plan to conduct additional mouse studies and file an IND application in the second half of 2024.

Material Communications with Competent Authorities

We obtained an IND approval with the New Zealand Medicines and Medical Devices Safety Authority (“Medsafe”) for conducting Phase I clinical trial of ISM001-055 for IPF in healthy volunteers in New Zealand in January 2022.

We filed an IND application with the NMPA for conducting clinical trials of ISM001-055 for IPF in China in March 2022. The NMPA issued an umbrella approval for us to conduct Phase I through III clinical trials of ISM001-055 in China and required us to communicate with the CDE before commencing the Phase III clinical trial. As the umbrella approval allowed clinical trials of ISM001-055 for no longer than four-week duration of treatment based on our preclinical studies and the Phase I clinical trial protocol, we conducted additional preclinical studies and, in October 2022, consulted with the NMPA on whether it would permit us to conduct clinical trials with a period of up to 13-week duration of treatment. In January 2023, the NMPA issued its consent. Our PRC Legal Advisor conducted a telephone consultation with CDE on March 15, 2023 (“CDE Consultation”), and has been advised that (i) in accordance with relevant laws and regulations and the umbrella approval granted by the NMPA in May 2022, we are not required to obtain other approval, consent or confirmation from NMPA or its local authority to conduct Phase I, Phase II or Phase III clinical trial, and (ii) no written confirmation or reply is required from NMPA or its local authority under relevant laws and regulations after the completion of Phase I clinical trial. Based on the umbrella approval granted by the NMPA in May 2022, the consent from the CDE issued in January 2023 to the modification of the approved clinical trial design and the CDE consultation and the approvals from the ethic committee, our PRC Legal Advisor is of the view that we can proceed with our modified Phase IIa clinical
trial of ISM001-055 without further approval from the NMPA. We initiated the Phase IIA clinical trial with a duration of treatment of 12 weeks in China in April 2023. For additional information on the clinical trial design, please see “— Clinical Development Plan.”

The FDA granted ISM001-055 the orphan drug designation for treatment of IPF in February 2023. Having completed a Phase I clinical trial in New Zealand, we filed the IND submission with the FDA for Phase IIA clinical trial of ISM001-055 for IPF in the U.S. in February 2023. The FDA issued a full clinical hold letter to us in April 2023 because it was noted that the initially submitted clinical study report did not include sufficiently detailed analysis of the safety data and enrollment for the DDI cohort. Additional information and analysis were therefore needed for the FDA to evaluate the safety of the opening IND protocol. To address this concern, we submitted a clinical hold complete response to the FDA in May 2023. The clinical hold complete response satisfactorily supplemented and fully addressed the FDA requested information for safety evaluation, which included, among other things, an amended clinical study report that provided additional safety analysis of data from the New Zealand clinical trial. In June 2023, the FDA informed us that it has lifted the previously imposed full clinical hold on the proposed Phase IIA clinical trial and the proposed clinical trial may be initiated in the U.S.

We had not received any other relevant regulatory agency’s objections to our clinical trials as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM001-055 SUCCESSFULLY.

ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency

Overview

ISM3091, is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with homologous recombination deficiency (“HRD”). Synthetic lethality is a promising area of cancer therapy to induce tumor cell death while sparing normal cells. Tumors with HRD such as BRCA1/2 mutations are highly dependent on PARP or ubiquitin specific peptidase 1 (“USP1”)–mediated repair for survival. USP1 belongs to USP subclass of deubiquitinating enzyme family, and its expression is critical for cancer cell survival. USP1 cleaves the post-translational modification of ubiquitin from a variety of substrates (e.g., proliferating cell nuclear antigen (“PCNA”)). It has been reported that USP1 plays a critical role in the replication fork stabilization in BRCA1-deficient cells and that knockdown or inhibition of USP1 leads to replication fork destabilization via PCNA ubiquitination, and eventually leads to impaired cell growth of BRCA1-deficient cells. Thus USP1 inhibitors may have the potential for treatment of HRD tumors. Preclinical profiling demonstrated that ISM3091 exhibited high potency, a strong efficacy in mice tumor models, and synergistic effects with PARP inhibitors. We filed an IND application in both the U.S. and China and have received the approval by the FDA in April 2023. We plan to initiate a multicenter Phase I clinical trial in the U.S. and China in the second half of 2023.

We identified ISM3091 by leveraging our Pharma.AI platform. With the support of Chemistry42 platform, we designed the small molecule USP1 inhibitor ISM3091 which was selected as a candidate for treatment of tumors with HRD.

Mechanism of Action

DNA damage response pathways have evolved to maintain the genomic integrity and counter serious assaults on genomic stability. Errors occurring in this process can cause genomic instability and lead to the onset of cancer. USP1, one of the best characterized human deubiquitinating enzymes (“DUBs”), plays an important role in the cellular response to DNA Damage. USP1 regulates DNA repair by deubiquitylating DNA repair proteins, including PCNA-ubiquitin (“PCNA-Ub”) pathway for DNA translesion synthesis, as
well as FANCD2-ubiquitin ("FANCD2-Ub") and FANCI-ubiquitin ("FANCI-Ub") in Fanconi anemia ("FA") pathways for intra-strand crosslink repair. By reverting PCNA monoubiquitination, USP1 contributes to prevent unscheduled recruitment of TLS polymerases, and thus help maintaining genome stability. Similarly, Ubiquitylated FANCI-FANCD2 is directed to DNA lesions and functions as a platform to colocalize with specific nucleases and interact with downstream DNA repair proteins, initiating the ICL correction. USP1 deubiquitinates the modified FANCI-FANCD2 complex, thereby reverting the crucial events in the FA pathway, which is crucial for the correct function of the FA pathway in intra strand repair. Therefore, inhibition of USP1 by small molecule inhibitors such as ISM3091 leads to inhibition of DNA damage repair, which has great potential for the treatment of tumors lacking homologous recombination and DNA repair.

The following diagram illustrates the mechanism of action of ISM3091.

Source: Modified from Iraia Garcia-Santisteban et al., 2013, Molecular Cancer 12, 91

**Market Opportunity and Competition**

The role of USP1 in DNA damage repair and its high expression in cancer cells make it an attractive target for cancer therapy. Inhibition of USP1 may be particularly effective in BRCA1-deficient cells, where USP1 is essential for stabilizing the replication fork and forms an synthetically lethal pair with BRCA1. BRCA1 and BRCA2 are known as tumor suppressor genes, which play a critical role in maintaining the stability of the genetic material in cells. Women who inherit a harmful BRCA1 or BRCA2 variant have up to an 80% risk of developing breast cancer in their lifetime, according to Frost & Sullivan. Men with a harmful BRCA2 variant also have an increased risk of developing breast cancer. According to Frost & Sullivan, the incidence of potential ISM3091 indications increased from 4.02 million in 2017 to 4.58 million in 2021, at a CAGR of 3.3%, and is expected to increase to 4.99 million in 2025, at a CAGR of 2.1%. There is one ongoing Phase I clinical trial targeting USP1 for the treatment of advanced solid tumors and two preclinical compounds in development.

**Our Advantages**

**Selectivity and Inhibitory Activity Demonstrated in Preclinical Studies**

ISM3091 showed nanomolar level inhibitory potency on both enzymatic assay and MDA-MB-436 (human breast adenocarcinoma cell line with BRCA mutation) cell viability assay. In the *in vitro* enzymatic assays, ISM3091 showed substantial inhibition of USP1, with IC50 values in the range of 15 - 41 nM. Cell-based anti-proliferation assays showed that treatment by ISM3091 selectively inhibited MDA-MB-436 cells with IC50 values of 20 nM, but not SNGM cells (IC50 > 30 μM), indicating excellent selectivity for BRCA mutant cells.
ISM3091 Demonstrated Selective Anti-proliferation Activity in BRCA1 Mutant Cells

Safety and Efficacy Profile Demonstrated in Preclinical Studies

The anti-proliferation effect of ISM3091 was caused by cell cycle arrest due to S phase accumulation and DNA damage leading to cell apoptosis (both early and late apoptosis) and death in a dose-dependent manner, resulting from increased PCNA mono-ubiquitination. As shown below, ISM3091 treatment in the MDA-MB-436 cells induced S phase arrest of cell cycle and DNA damage finally leading cell apoptosis and death.

ISM3091 Induced S Phase Arrest and DNA Damage Led to Cell Apoptosis and Death in MDA-MB-436 Cells

We further examined the in vivo safety and anti-tumor effect of ISM3091 in the MDA-MB-436 xenograft mouse model with BRCA1 deficiency. In this study, the immuno-deficient NOD SCID mice were inoculated with MDA-MB-436 cells subcutaneously to develop tumors to a defined size and subsequently administered with ISM3091 twice-daily. Throughout the whole study, no obvious body weight loss was observed, and no death or any signs of morbidity were found, suggesting good safety and low toxicity of ISM3091. More importantly, ISM3091 was observed to suppress tumor growth as a monotherapy. The TGI of ISM3091 30 mg/kg BID was 66%.

ISM3091 Demonstrated Monotherapy Activity in MDA-MB-436 (BRCA1 Mutation) Model
**BUSINESS**

As shown below, in a poly (ADP-ribose) polymerase ("PARP") inhibitor-resistant ovarian patient derived xenografts ("PDX") model with wide-type BRCA and HRD+, ISM3091 demonstrated significant anti-tumor efficacy as a monotherapy.

ISM3091 Demonstrated Effects for Monotherapy in PARPi-Resistant Ovarian PDX (Wide-Type BRCA, HRD+) Model

![Graph showing tumor volume over days post administration with vehicle, ISM3091, and olaparib treatments.]

In a lung cancer CDX model with proficient BRCA1/2, ISM3091 demonstrated significant efficacy, as shown in the figure below, suggesting potential in indications beyond BRCA1/2 mutation. The TGI of ISM3091 100 mg/kg BID is 104%.

ISM3091 Demonstrated Monotherapy Activity in Lung Cancer CDX Model

![Graph showing tumor volume over days post treatment with vehicle, ISM3091, and olaparib treatments.]

Potentially Synergistic Effects with PARP inhibitors Demonstrated in Preclinical Studies

We also investigated a combination therapy of ISM3091 and a PARP inhibitor olaparib. In particular, we administered ISM3091 twice daily and/or olaparib once daily, to the MDA-MB-436 xenograft mouse model with BRCA1 deficiency. We observed strong synergistic anti-tumor efficacies, as shown in the following diagram.

ISM3091 Demonstrated Synergistic Effects in Combination with Olaparib in MDA-MB-436 (BRCA1 Mutations) Model

![Graph showing tumor volume over days post treatment with various treatments.]

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BUSINESS

As shown below in the ovarian PDX model harboring BRCA1 mutations, the anti-tumor activities of ISM3091 were also strengthened when ISM3091 was combined with olaparib, suggesting a significant synergistic effect between ISM3091 and olaparib.

ISM3091 Demonstrated Effects for Combination Therapy with Olaparib in Ovarian PDX Model Harboring BRCA1 Mutations

ISM3091 Demonstrated Promising Safety Profile in Preclinical Toxicology Studies

Single-dose toxicology studies demonstrated that the administration of ISM3091 was well tolerated and without remarkable treatment-related findings in the rat and dog at doses up to 400 mg/kg and 200 mg/kg, respectively, the MTD dose in both species.

In the pivotal GLP-compliant 4-week rat study, no severe toxicity was noted at doses up to top dose-60 mg/kg/day, therefore the HNSTD was 60 mg/kg/day. In the pivotal GLP-compliant 4-week dog study, no ISM3091 related adverse effects were noted at doses up to top dose-30 mg/kg/day, therefore the NOAEL was 30 mg/kg/day.

A battery of GLP-compliant genotoxicity studies showed no evidence of mutagenicity in a bacterial reverse mutation test, no evidence of induction of structural or numerical chromosome aberrations in Chinese hamster lung fibroblasts in vitro and no evidence of induction of micronucleus formation in bone marrow polychromatic erythrocytes following oral dosing in mice.

In conclusion, the nonclinical data package of toxicology demonstrated promising safety profile which could support the proposed clinical study.

Clinical Development Plan and Material Communications with Competent Authorities

We filed an IND application for Phase I clinical trial with the FDA in March 2023 and obtained the approval in April 2023. The Phase I clinical trial is a first-in-human, multicenter, open-label study to investigate the safety, tolerability, PK, PD, and preliminary antitumor activity of ISM3091 in patients with advanced HRD solid tumors, including breast, ovarian and prostate cancers. It is comprised of a dose escalation part with up to 36 patients enrolled and a dose selection optimization part with over 80 patients enrolled. The primary objectives are to assess the safety and tolerability of ISM3091 and identify recommended Phase II dose in monotherapy for ISM3091. We plan to initiate the Phase I clinical trial in the U.S. and China in the second half of 2023.
Overview

ISM3312 is a small molecule inhibitor of 3CL<sup>pro</sup> as a Potential Treatment of COVID-19

ISM3312 is an orally available, irreversible covalent inhibitor of 3CL<sup>pro</sup>, also called 3CL protease or main protease ("M<sup>pro</sup>"). It is a cysteine protease and an essential enzyme for the replication of severe acute respiratory syndrome coronavirus 2 ("SARS-CoV-2"), the causative agent of COVID-19. COVID-19 has caused a worldwide pandemic with illness ranging from mild diseases to more severe diseases such as severe acute respiratory syndrome. The preliminary results demonstrated that ISM3312 had broad antiviral activity against other coronaviruses and potential clinical drug resistances. We received the IND approval in February 2023 and initiated a Phase I clinical trial in China in March 2023.

We discovered ISM3312 by leveraging our Pharma.AI platform. Through structure-based drug design with our Generative Chemistry application, ISM3312 with covalent "warheads" (moieties directly binding to Cys145 of 3CL<sup>pro</sup>) was selected and nominated as a preclinical candidate for the potential treatment of COVID-19.

Mechanism of Action

COVID-19 is caused by severe infections of SARS-CoV-2 variants. During viral infection, SARS-CoV-2 employs trimeric spike proteins to interact with receptors, and upon receptor binding, the viral and cellular membranes are fused together, triggered by spike activation through proteolytic cleavage by a cellular protease. The non-structural polyproteins pp1a and pp1ab of SARS-CoV-2 also undergo proteolytic cleavage to eventually assemble into functional replicase. Thus, proteolytic processing acts as a key regulatory mechanism in the expression of the SARS-CoV-2 replicase proteins, and blocking the proteolytic process has been demonstrated to inhibit viral replication entirely. The coronavirus protease 3CL<sup>pro</sup> is conserved in structure and function in all known coronaviruses and serves as the main protease for proteolytic processing of the replicase polyproteins, as the name "main protease" refers to the critical role. In addition, the active-center amino acids of 3CL<sup>pro</sup> have low homology with human. Thus, inhibition of 3CL<sup>pro</sup> has been proven to be an effective treatment to block SARS-CoV-2 replication and further to treat multiple strains of COVID-19 disease and other coronaviruses.

The following diagram illustrates the mechanism of action of ISM3312.

Market Opportunity and Competition

3CL<sup>pro</sup> is critical for the translation of SARS-CoV-2 and there are several types of 3CL<sup>pro</sup> inhibitors including peptidomimetic covalent inhibitors, non-peptidomimetic covalent inhibitors and small molecule non-covalent inhibitors. Paxlovid is a 3CL<sup>pro</sup> inhibitor approved by the FDA for emergency use that has brought in a total revenue of US$19 billion in 2022, according to Frost & Sullivan. There are three approved drugs and numerous drugs are currently in clinical trials for targeting 3CL<sup>pro</sup>.
Business

Our Advantages

Inhibitory Activity Demonstrated in Preclinical Studies

ISM3312 demonstrates inhibitory activity against 3CL\textsuperscript{pro} and the potential to treat COVID-19 and other coronaviruses infections. In an in vitro enzymatic assay to test IC\textsubscript{50}, Nirmatrelvir, the key component of Paxlovid developed by Pfizer, and Ensitrelvir, an orally-available, non-covalent clinical inhibitor of the 3CL\textsuperscript{pro} of SARS-CoV-2, were used as control groups. As shown below, ISM3312 inhibited the activity of 3CL\textsuperscript{pro} of wild-type and the Omicron variant of SARS-CoV-2 with an IC\textsubscript{50} of 14 nM and 22 nM, respectively. In addition, ISM3312 showed a broad-spectrum antiviral activities against 3CL\textsuperscript{pro} of other coronaviruses, including SARS-CoV, MERS-CoV, HCoV-229E, HCoV-OC43, HCoV-NL63 and HCoV-HKU1, with IC\textsubscript{50} values of 14 nM, 52 nM, 11 nM, 10 nM, 14 nM and 4 nM, respectively.

ISM3312 Demonstrated Broad-spectrum Activities against a Range of Coronavirus 3CL\textsuperscript{pro} Compared with Nirmatrelvir and Ensitrelvir

<table>
<thead>
<tr>
<th>Compound ID</th>
<th>IC\textsubscript{50} of Compounds in 3CL\textsuperscript{pro}/M\textsuperscript{pro} Enzymatic Assays (nM)</th>
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<tr>
<td>Omicron P132H</td>
<td></td>
</tr>
<tr>
<td>ISM3312 . . . .</td>
<td>22</td>
</tr>
<tr>
<td>Nirmatrelvir . .</td>
<td>19</td>
</tr>
<tr>
<td>Ensitrelvir . . .</td>
<td>28</td>
</tr>
<tr>
<td>SARS-CoV-2</td>
<td></td>
</tr>
<tr>
<td>ISM3312</td>
<td>14±2.3</td>
</tr>
<tr>
<td>Nirmatrelvir</td>
<td>12±1.3</td>
</tr>
<tr>
<td>Ensitrelvir</td>
<td>14±2.3</td>
</tr>
<tr>
<td>SARS-CoV</td>
<td></td>
</tr>
<tr>
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<tr>
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</tr>
<tr>
<td>Ensitrelvir</td>
<td>27</td>
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<td>MERS-CoV</td>
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</tr>
<tr>
<td>Nirmatrelvir</td>
<td>105</td>
</tr>
<tr>
<td>Ensitrelvir</td>
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<tr>
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<td>Nirmatrelvir</td>
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<td>Ensitrelvir</td>
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<tr>
<td>HCoV-OC43</td>
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<td>HCoV-NL63</td>
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<td>240</td>
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<td>Ensitrelvir</td>
<td>&gt;2000</td>
</tr>
<tr>
<td>HCoV-HKU1</td>
<td></td>
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</tr>
<tr>
<td>Nirmatrelvir</td>
<td>57</td>
</tr>
<tr>
<td>Ensitrelvir</td>
<td>&gt;2000</td>
</tr>
</tbody>
</table>

Safety Profile Demonstrated in Preclinical Studies

In in vitro off-target profile studies, we did not observe meaningful inhibitory activity of ISM3312 against 75 other human proteases. The results thus demonstrate the inhibitory activity and selectivity against 3CL\textsuperscript{pro}. In the single-dose toxicity studies, ISM3312 was well tolerated at doses up to 2000 mg/kg in mouse and 1200 mg/kg in dog. In the 7-day DRF or 14-day pivotal toxicity studies in mouse and dog, ISM3312 exhibited acceptable safety profile which could support the clinical studies. There was no genotoxicity or phototoxicity concerns.

Efficacy Profile Demonstrated in Preclinical Studies

In cell-based studies, ISM3312 displayed good antiviral activities against the Omicron BA.5, BA.2.3, Delta, and wide-type variants of SARS-CoV-2 with EC\textsubscript{50} values of 33 nM, 60 nM, 100 nM and 140 nM, respectively. ISM3312 also demonstrated cellular potency against other types of coronaviruses, including MERS-CoV, HCoV-OC43 and HCoV-229E, with EC\textsubscript{50} values against those coronaviruses of 48 nM, 51 nM and 16 nM, respectively.

ISM4312A Could Induce CD4+ and CD8+ Activation in Mouse Splenocytes in a Dose Dependent Manner

<table>
<thead>
<tr>
<th>Anti-SARS-CoV-2 EC\textsubscript{50} of cpds in VeroE6 (nM)</th>
<th>EC\textsubscript{50} of cpds for other coronavirus (nM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM3312</td>
<td>Nirmatrelvir</td>
</tr>
<tr>
<td>Omicron BA.5</td>
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</tr>
<tr>
<td>Omicron BA.2.3</td>
<td>60</td>
</tr>
<tr>
<td>Delta</td>
<td>100</td>
</tr>
<tr>
<td>SARS-CoV-2 WT</td>
<td>140</td>
</tr>
<tr>
<td>Omicron BA.5 +P-gpi</td>
<td>37</td>
</tr>
</tbody>
</table>

Note: Vero -/+P-gpi = Vero cells without or with P-gp inhibitor.
In the *in vivo* Omicron-infected transgenic mouse model, ISM3312 displayed dose-dependent antiviral activity against SARS-CoV-2, as depicted below. ISM3312 achieved comparable virus load reduction at 150 mg/kg BID vs Nirmatrelvir at 300 mg/kg BID. ISM3312 could reduce pulmonary lesions (including inflammation, edema and hemorrhage) and brain virus titer in Omicron infected mice at Dpi4.

**ISM3312 Demonstrated *In Vivo* Efficacy of Compared with Nirmatrelvir in the Omicron-infected Transgenic Mouse Model**

![Graphs showing comparison between ISM3312 and Nirmatrelvir in terms of TCID50, lung pathology score and FFA brain at different doses.](image)

**Summary of Clinical Trial Result**

As of the Latest Practicable Date, one clinical trial has been conducted to evaluate the safety, tolerability and PK of ISM3312 with the trial information summarized below.

**Phase Ia Clinical Trial in China**

Overview. We initiated a randomized, double-blind, placebo-controlled Phase Ia study featured single and multiple ascending doses and food effect study in March 2023 in China to evaluate the safety, tolerability and PK profile of ISM3312 in healthy adult volunteers and the effects of food on the PK profile of ISM3312. The clinical trial adopted a single ascending dose and food effects (Part A) study and a multiple ascending dose (Part B) study design. The primary objective of this clinical trial was to assess the safety and tolerability of single and multiple oral ascending doses of ISM3312 administered to healthy volunteers. The secondary objectives included: (i) for Part A study, determination of the PK (including plasma and urine PK) of ISM3312, the effect of a high-fat diet on PK profile, metabolites in the urine and corrected QT ("QTc") interval changes in healthy volunteers after a single oral dose of ISM3312; and (ii) for Part B study, determination of the PK of ISM3312, and changes of QTc interval and its relationship with blood concentration in healthy volunteers after multiple oral doses of ISM3312, and identification and relative quantification of metabolites in the plasma at a steady state of healthy volunteers after multiple oral doses of ISM3312.

Trial design. The clinical trial plans to enroll 68 healthy volunteers for Part A study and 20 healthy volunteers for Part B study, between the ages of 18 and 50. The primary endpoint for the clinical trial is to determine AEs and SAEs, including vital signs, physical examination, laboratory tests (including blood routine, blood biochemistry, urine routine, coagulation function, C-reactive protein, iron metabolism, thyroid function, reticulocytes, erythrocyte sedimentation rate, immunoglobulin, D-dimer, markers of myocardial injury, fecal routine and occult blood), and 12-lead electrocardiogram. The second endpoints are: (i) for Part A study, to evaluate the plasma PK parameters on fasting or postprandial conditions, urine PK parameters, metabolites in urine and change of QTc interval from baseline value after single oral dose of ISM3312; and (ii) for Part B study, to evaluate the plasma PK parameters on fasting or postprandial conditions and changes of QTc interval and its relationship with blood concentration after multiple oral doses of ISM3312, plasma metabolites and relative quantification thereof at a steady state after multiple oral doses of ISM3312. For the single ascending dose of Part A study, 56 volunteers are randomly assigned to
six dose cohorts: four volunteers in Cohort 1 (20 mg), eight volunteers in Cohort 3 (80 mg), 10 volunteers in Cohort 4 (200 mg), Cohort 5 (400 mg) and Cohort 6 (600 mg) and six volunteers in Cohort 7 (800 mg). Cohort 2 was skipped. Two volunteers in each cohort are assigned with placebo and the others with ISM3312 for one-day treatment. For the food effects of Part A study, 12 volunteers are randomly assigned to two cohorts with six volunteers for each cohort with proposed doses of 400 mg. For Part B study, 20 volunteers are assigned to each of two dose cohorts: 400 mg (Cohort 1), and 200 mg or 600 mg (Cohort 2). The volunteers are randomly assigned within each dose cohort to receive ISM3312 or a matched placebo in a ratio of 4:1 (eight volunteers for ISM3312, two for placebo) for five-day treatment.

Trial status. The Phase Ia clinical trial was initiated in March 2023 with dosing the first participant and the final clinical study report is expected to be issued in late 2023. As of the Latest Practicable Date, this trial was still actively recruiting volunteers with no preliminary clinical results available for analysis.

Clinical Development Plan

Pursuant to the IND approval issued by the NMPA in February 2023, we initiated a randomized, double-blind, placebo-controlled Phase Ia clinical trial of ISM3312 in China in March 2023 to evaluate the safety, tolerability and PK profile in healthy volunteers. The Phase II clinical trial is to evaluate the antiviral effect of ISM3312 compared to placebo in patients with symptom of mild and moderate categories of SARS-CoV-2 infection and with high risk infection of heavy/critical categories. We plan to initiate the Phase II clinical trials following analysis of the data from the Phase Ia clinical trials. The primary endpoint of the Phase II trial is to determine the change of SARS-CoV-2 viral RNA levels from baseline levels measured by reverse transcription polymerase chain reaction at each time point compared to the placebo group.

Material Communications with Competent Authorities

We filed an IND application with the NMPA for conducting clinical trials of ISM3312 for adults with mild and common categories of COVID-19 infections in China in January 2023. The NMPA issued an approval for us to conduct Phase Ia and Phase Ib clinical trials of ISM3312 in China in February 2023. We amended the Phase Ib protocol and changed it to Phase II clinical initiated in June, 2023. After communication with the NMPA in May 2023, the NMPA had no objections for the Phase II trial. We initiated the Phase Ia clinical trial in China in March 2023. For additional information on the clinical trial design, see “— Clinical Development Plan.”

We had not received any relevant regulatory agency’s objections to our clinical trials as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM3312 SUCCESSFULLY.

ISM8207: A Small Molecule Inhibitor of QPCTL as a Potential Treatment of Tumors with High Engagement of CD47-Signal Regulatory Protein α (“SIRPα”) Axis

Overview

ISM8207, currently co-developed in partnership with Fosun, is a first-in-class orally available small molecule inhibitor of QPCTL, a regulator of the CD47-SIRPα axis, as cancer immunotherapy. The blockade of the CD47-SIRPα axis has recently demonstrated clinical validation as a promising immunotherapy approach for the potential treatment of cancer. We have completed IND-enabling studies for the potential treatment of tumors with high engagement of CD47-SIRPα axis, such as advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies. The preliminary results demonstrated potent enzymatic inhibitory activity, strong efficacy and synergistic effects with other therapies. We filed an IND application with the NMPA in China in April 2023 and expect to initiate Phase I clinical trial in the second half of 2023.
We discovered ISM8207 by leveraging our Pharma.AI platform. We utilized PandaOmics’ target identification and business intelligence capabilities to identify novel oncology targets, and QPCTL was listed among the promising novel druggable targets with implications in the CD47-SIRPα axis. We then used Generative Chemistry to generate ISM8207 against QPCTL for treatment of tumors with high engagement of CD47-SIRPα axis.

We formed a collaboration with Fosun to co-develop drug candidate ISM8207 for QPCTL. For additional information, please see “— Material Collaboration and Licensing Arrangements — Collaboration with Fosun.”

**Mechanism of Action**

QPCTL, which is located on the cell organelle called the Golgi apparatus, has been identified as a crucial regulator of the CD47-SIRPα axis, commonly referred to as the “don’t eat me” axis. Cancer cells use CD47, a “don’t eat me” signal mediated by SIRPα, to evade the detection by the immune system and subsequent destruction by macrophages. There are a variety of anti-CD47 therapies under clinical development to counter the “don’t eat me” signal across broad cancer types. Due to the wide expression of CD47, especially on erythrocytes, however, clinical trials with anti-CD47 antibodies have experienced limitations in dose escalation due to hematological toxicity, including anemia and thrombocytopenia. The N terminus of the CD47 protein contains a pyroglutamate residue that is essential to create a high affinity SIRPα binding site, and this modification shortly after protein synthesis has been shown to depend on QPCTL. Inhibition of QPCTL with pharmacological tools or bioengineered knockout methods has been shown to cause a reduction or loss of the binding between CD47 and SIRPα, as well as increased antibody-dependent cellular phagocytosis and neutrophils-induced cytotoxicity. Given the lack of Golgi apparatus where QPCTL is localized in mature erythrocytes, QPCTL inhibitors may induce lower hematological toxicity compared to most of CD47-blocking agents currently under clinical development.

In addition to the engagement of the CD47-SIRPα axis, QPCTL also adds pyroglutamate to the C-C motif chemokine ligand (“CCL”) proteins CCL2, CCL7, CCL8 and CCL13, which are the ligands of the C-C motif chemokine receptor (“CCR”) 2 responsible for directing the migration of myeloid cell lineage, including monocytes/macrophages and dendritic cells. The modification of CCL chemokine family members by QPCTL increases this chemokine stability against degradation and enhances CCR2 activation and signal transductions. The CCL2/CCR2 axis has been implicated in cancer cell survival, migration and metastasis via recruitment of immune cells into the tumor microenvironment. A downregulation of CCL2/CCR2 signaling transduction by inhibiting QPCTL could thus be used to reprogram the tumor immune microenvironment through modulating suppressive myeloid cells toward phagocytic macrophages-enriched profile, subsequently turn less T cell-inflamed tumors into highly T cell-infiltrating tumor, and further favor anti-tumor immunity led by T cell engagers like anti-PD-1/L1 antibodies.
The diagram below illustrates the mechanism of action of ISM8207:

**Market Opportunity and Competition**

QPCTL is a promising new option for targeting the CD47-SIRPα pathway. QPCTL inhibitors act as boosters for cancer immunotherapy by promoting immune-mediated tumor killing and altering the tumor immune microenvironment to favor the patient’s anti-tumor immunity. According to Frost & Sullivan, the incidence rate of potential ISM8207 indications are increasing. Among them, breast cancer accounted for the highest percentage of total cancer incidence, followed by colorectal cancer. Currently, there are two preclinical pipelines targeting QPCTL for cancer treatment.

**Our Advantages**

**Inhibitory Activity Demonstrated in Preclinical Studies**

In *in vitro* enzymatic assays, ISM8207 showed strong inhibition of QPCTL, with IC₅₀ values of 0.16~0.25 nM. As shown in the left figure below, the cell-based blocking assays in Raji cells (human B lymphoblastoid cell line) showed that pretreatment by ISM8207 exhibited a dose-dependent inhibitory effect on SIRPα-fragment crystallizable domain (“Fc”) fusion protein binding onto Raji cells with IC₅₀ value of 45 nM without negatively affecting the cell viability within the tested concentration range. For phagocytosis assay in Raji cells, rituximab, the commercialized monoclonal antibody against CD20 to treat cancers and autoimmune diseases, was used to treat Raji cells as a positive control. As an effect of interrupted SIRPα binding to CD47, ISM8207 demonstrated an enhancement of rituximab-mediated macrophage phagocytosis of the rituximab-insensitive Raji cells when compared to the single-agent rituximab, as shown in the right figure below.

**ISM8207 Demonstrated Effect on SIRPα-Fc Binding to the Surface CD47 and Phagocytosis of Raji Cell in In Vitro Assays**

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Abbreviation: MFI = median fluorescence index

Preclinical Safety and Efficacy Profile

Preclinical safety of ISM8207 was comprehensively evaluated in safety pharmacology studies of cardiovascular, respiratory, and central nerve systems, in single-dose and 28-day repeat-dose oral toxicity studies in rat and dog, and in phototoxicity studies. Safety pharmacology studies demonstrated that ISM8207 did not cause adverse effects on function or behavior of cardiovascular, respiratory, or central nerve systems. Single-dose toxicity studies showed that ISM8207 was well tolerated at doses up to 1000 mg/kg/day in rat and 120 mg/kg/day in dog. The 28-day repeat-dose toxicity study in dogs showed that ISM8207 was well tolerated at doses up to 10 mg/kg/day, and NOAEL was 10 mg/kg/day which provided approximate 90-fold margin of safety in dogs. The 28-day repeat-dose toxicity study in rats suggested that severely toxic dose in 10% of rodents was 2 mg/kg/day (female) and 4 mg/kg/day (male), respectively, which provided approximate 6-fold margin of exposure in rats.

In addition, three-week administration of ISM8207 showed in vivo well tolerance. The blood analysis of the tumor-bearing mice was profiled at the end of the three-week period of treatment. As shown below, ISM8207 showed no induction of hematological toxicities including the reduced red blood cells, hemoglobin and platelets in blood, which were commonly observed during the treatment with CD47-targeting agents.

**Chronic Treatment of Tumor-Bearing Mice with ISM8207 Demonstrated No Hematological Toxicity**

To identify the impact of ISM8207 in immune cell infiltration in the tumor microenvironment, immune cell frequencies in blood were respectively analyzed by flow cytometry six days post the start of the treatment. As shown below, the most profound changes led by ISM8207 are the significantly reduced monocytic myeloid-derived suppressor cells (“MDSC”) in tumor and circulating monocytes in blood, indicating the interruption of CCR2 signaling (*p<0.05).

**ISM8207 Reduced Monocytic MDSC in Tumor and Circulating Monocytes in Blood**
Potentially Synergistic Effects with Other Therapies

To verify the consistency with a cell-based blocking assay, we evaluated the preliminary \textit{in vivo} anti-tumor effect of ISM8207 in the Raji cell xenograft mouse model. In this study, immuno-deficient Fox Chase SCID mice were inoculated with Raji cells subcutaneously to develop tumors to a defined size. The mice were subsequently administered with ISM8207 twice-daily, and/or received injection of rituximab twice a week. As illustrated below, ISM8207 was observed to induce a synergistic effect on tumor regression when combined with rituximab. For the group administered 10 mg/kg of ISM8207 in combination with rituximab, tumor growth inhibition rate ("TGI") reached 86\% as compared to 41\% for the rituximab only group (****\(p<0.0001\)).

ISM8207 Demonstrated Synergistic Anti-Tumor Effects in Combination with Rituximab in Raji Cell Xenograft Mouse Model

Anti-tumor activities of ISM8207 were also assessed in the 4T1 cells (triple-negative murine mammary carcinoma cell line) orthotopic mouse model, which is unresponsive to anti-PD-1 antibody and minimally responsive to the chemotherapy drug paclitaxel. The treatments were initiated ten days after the 4T1 cells were implanted into the mammary fat pad of immunocompetent BALB/c mice. ISM8207 showed significant synergistic anti-tumor efficacies when combined with paclitaxel or mouse PD-1 antibody.

ISM8207 Demonstrated Synergistic Anti-Tumor Effects in Combination with Anti-PD-1 Antibody or Paclitaxel Demonstrated in Mouse Triple Negative Breast Cancer

Licenses, Rights and Obligations

In November 2021, we entered a Drug Discovery and Development Collaboration Agreement ("Fosun Agreement") with Fosun. According to the Fosun Agreement, we are primarily responsible for developing the drug candidate for QPCTL through the completion of Phase 1 trial, and the roles of Fosun and us for the development of QPCTL from Phase II trial are to be negotiated after Phase I trial completion. For additional information, see “— Material Collaboration and Licensing Arrangements — Collaboration with Fosun” in this section.
Clinical Development Plan

Fosun and we completed the IND-enabling studies and filed the IND application with the NMPA for clinical trials in April 2023. Subsequently, Fosun and we are planning to initiate a first-in-human, open-label, multi-center Phase I clinical trial in China to evaluate the safety, tolerability, PK/pharmacodynamics, and preliminary anti-cancer activity of ISM8207 monotherapy in patients with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies in the second half of 2023.

ISM8207 MAY NOT BE SUCCESSFULLY DEVELOPED AND MARKETED.

ISM4808: A Small Molecule Inhibitor of PHD1/2 as a Potential Treatment of Anemia of CKD

Overview

ISM4808, also known as ISM012-077, is an oral small molecule inhibitor of PHD1/2 for the potential treatment of anemia of CKD. CKD is a condition characterized by a gradual loss of kidney function to filter wastes from the blood system over time. Anemia, as is a frequent and serious complication of CKD, is characterized by a relative deficiency in EPO production and a decrease in iron availability for hemoglobin synthesis. The preclinical studies show that ISM4808 is well tolerated and demonstrates high potency to rescue anemia in CKD rats. We filed our IND application in China in June 2023 and expect to initiate Phase I clinical trial in late 2023.

We discovered ISM4808 by leveraging our Pharma.AI platform. Engaging the Generative Chemistry application through structure-based drug design, small molecules were generated and prioritized targeting PHD1/2. After several rounds of optimization on physicochemical properties as well as in vitro and in vivo absorption, distribution, metabolism, and excretion (“ADME”) profiles, ISM4808 was discovered as a preclinical candidate for the potential treatment of anemia of CKD.

Mechanism of Action

Anemia of CKD is a form of normocytic normochromic, hypoproliferative anemia. The pathogenesis of anemia is impaired EPO production and functional iron deficiency. EPO is a glycoprotein cytokine secreted mainly by the kidneys in response to cellular hypoxia, in order to stimulate red blood cell production (erythropoiesis) in the bone marrow. The hypoxia-inducible factors (“HIF”) are transcription factors that function as master regulators of oxygen homeostasis. When oxygen availability is limited, or during hypoxia, HIFs are stabilized to drive a transcriptional process by binding to hypoxia-responsive element (“HRE”) that promotes hypoxia adaptation. The final molecular step that controls HIFs stabilization converges on prolyl hydroxylases (“PHDs”). PHDs hydroxylates HIFα, a subunit of HIF, leading to degradation of HIFα by the proteasome. Among three subtypes of PHDs, namely PHD1, PHD2 and PHD3, PHD2 demonstrates more abundant expression across tissue types compared to the other subtypes and inhibition of PHD2 has been indicated as a promising therapy for HIFα-related diseases.

Inhibition of triggers erythropoiesis by inducing both renal and hepatic EPO synthesis, which stimulates the production of red blood cells in the bone marrow and regulates the metabolism of iron, indispensable in the functioning of red blood cells. Inhibition of PHD1/2 could also suppress the production of hepatic hepcidin, which has negative effects on iron mobilization. Furthermore, inhibition of PHD1/2 might upregulate the expression of several iron metabolism genes, such as divalent metal transporter 1 (“DMT1”) and duodenal cytochrome b, which have been demonstrated in preclinical studies of PHD1/2 inhibitors conducted by others. Thus, inhibition of PHD1/2 addresses both impaired EPO production and functional iron deficiency.
Business

The following diagram illustrates the mechanism of action of ISM4808.

![Diagram](image)

**Abbreviations:** PHD = prolyl hydroxylase; RES = reticuloendothelial system; FPN = ferroportin; the question mark indicates that the mechanism is not fully validated

**Market Opportunity and Competition**

Anemia of CKD is a common complication of kidney disease that results in a deficiency of erythropoietin ("EPO"), which is needed to produce red blood cells. PHD2 inhibitors have been shown to increase EPO production in patients with CKD, potentially helping to alleviate anemia. The global prevalence of anemia of CKD has reached 389.4 million in 2021. It is estimated to increase to 447.2 million in 2025 and 514.7 million in 2030, with a CAGR of 3.5% and 2.8%, respectively, according to Frost & Sullivan. Although many drugs and clinical trials target the PHD protein for HIF regulation, none of them specify a specific PHD isoform target, but instead target the HIF-PHD pathway in general. There are four approved drugs and several drug candidates under clinical trial that targets the HIF-PHD pathway for the treatment of Anemia of CKD.

**Our Advantages**

**Inhibitory Activity against PHD1 & PHD2**

ISM4808 demonstrated high enzymatic inhibitory potency against PHD1 & PHD2 with the respective IC50 values of 0.9 nM & 2.9 nM, and showed good selectivity in the Safety 44 Mini-tox panel. The Safety 44 Mini-tox panel is used to early identify off-target pharmacological interactions that could cause safety liabilities in the clinic. In a Hep3B cells (human hepatoma cell line), ISM4808 was able to induce increased EPO concentrations with an EC50 of 3.8 μM. Compared to other PHD inhibitors, ISM4808 is structurally diverse with the non-carboxylic acid scaffold and has the potential to increase blood hemoglobin levels with lower concentrations of EPO, therefore potentially limiting on-target and off-target side effects, including the cardiovascular side effects typically caused by EPO induction. ISM4808 showed good physical properties and favorable in vitro ADME profiles such as low clearance in different species, acceptable solubility, highly permeability, moderate plasma protein binding in human and low concerns for drug-drug interaction.
**Preclinical Safety Profile**

As part of our IND-enabling studies, toxicology studies demonstrated that ISM4808 was generally well tolerated in rats and dogs. Final results of our 28-day toxicity studies suggested that the no-observed-adverse-effect level ("NOAEL") values in dogs and rat were 0.75 mg/kg/day and 2 mg/kg/ day, respectively, which could support the dosing regimen of clinical studies. There was no genotoxicity or phototoxicity concerns of ISM4808.

**Preclinical Efficacy Results**

In multiple *in vivo* animal models, ISM4808 demonstrated activity on key markers of anemia. In a study using wild type rats, treatment with ISM4808 at various doses (1, 3, 10 mg/kg) significantly induced plasma EPO levels in a dose-dependent manner, as shown below. The maximum plasma EPO concentrations were typically achieved after 8 to 12 hours post-dosing. The most frequently used CKD rodent model, 5/6 nephrectomized rats, is established by removing one kidney and excising 2/3 of the other kidney one week later, to mimic the progressive renal failure after the loss of kidney function in humans. FG-4592 (roxadustat), an approved drug to for the treatment of anemia of CKD developed by FibroGen in collaboration with Astellas Pharma and AstraZeneca, is used as a positive control. As shown below, treatment of ISM4808 at 1 mg/kg is sufficient to rescue anemia in CKD rats compared with 30 mg/kg of roxadustat. Treatment of ISM4808 did not induce vascular endothelial growth factor ("VEGF") in CKD rats. The inhibition of PHD leads to upregulation of the target gene expressions of HIF, including VEGF, a key factor to promote malignancy. The results in the CKD rats demonstrate that ISM4808 does not induce VEGF upregulation but the plasma EPO has been upregulated as expected, indicating that ISM4808 may have no safety concern regarding the VEGF-related side effects of PHD inhibitors.
ISM4808 Increased Plasma EPO Levels in Dose-Dependent Manners in the 5/6 Nephrectomized Rats

In a chronic treatment study, we evaluated the in vivo erythropoietic effect of ISM4808 in wild type rats at doses of 1 mg/kg, 3 mg/kg and 10 mg/kg of ISM4808 administered once-daily and roxadustat at 30 mg/kg administered three times a week (“TIW”) for 29 days. ISM4808 increased levels of circulating EPO, reticulocytes (“RET”), blood hemoglobin (“Hb”) and hematocrit (“HCT”), at a dose as low as 1 mg/kg administered QD compared to that of Roxadustat at 30 mg/kg administered TIW, as shown below.
ISM4808 Significantly Increased Hb, HCT, RET and EPO in Wild Type Rats

![Graph showing increased Hb, HCT, RET, and EPO in ISM4808-treated rats compared to vehicle control.](image)

We may not be able to ultimately develop and market ISM4808 successfully.

ISM5411: A Small Molecule Inhibitor of PHD1/2 for Treatment of IBD

**Overview**

ISM5411 is an oral, gut-restricted small molecule inhibitor of PHD1/2 for the treatment of IBD, which is an umbrella term for disorders that involve chronic inflammation of the digestive tract, such as ulcerative colitis and Crohn’s disease. The preclinical studies show that ISM5411 is well tolerated and demonstrates efficacy in several murine colitis models induced by different chemicals. We have initiated IND-enabling studies and expect to file our IND applications in China, the U.S. in the second half of 2023.

We discovered ISM5411 by leveraging our Pharma.AI platform. By using similar process with ISM4808, ISM5411 was discovered as a preclinical candidate for the potential treatment of IBD.

**Mechanism of Action**

IBD is characterized by chronic inflammation and wounding of the mucosa and loss of the intestinal epithelial barrier function, leading to the passage of bacteria or bacterial products and systemic bacteremia and endotoxemia. HIFs have more recently been recognized as a protective regulator of IBD by binding HRE and driving the expression of barrier protective genes. In the intestinal barrier protection process, PHDs act as oxygen sensors modulating the HIF degradation pathway as the final molecular step that
controls HIF stabilization. PHDs are responsible for hydroxylation of HIFα, which initiates the pathway that eventually results in the degradation of HIFα by the proteasome. Inhibition of PHDs, especially PHD1 and PHD2, reduces the degradation of HIFα and higher level of HIFs leads to barrier-protective gene expression for epithelial barrier healing and decreased proinflammatory cytokine expression. However, because HIF transcription factors are involved in the regulation of broad biological processes, systematic exposure to PHD inhibitors may increase the risk of malignancy, retinopathy, thrombosis, hyperkalemia, and elevated blood pressure. Therefore, oral delivery of gut-restricted PHD1 and PHD2 dual inhibitors may be an innovative clinical strategy for IBD patients.

The following diagram illustrates the mechanism of action of ISM5411.

![Diagram of ISM5411 mechanism of action]

**Market Opportunity and Competition**

IBD is a chronic disease caused by a combination of genetic and environmental factors that affect the immune response. The global prevalence of IBD has reached 6,495 thousand in 2021. It is estimated to be 7,953 thousand in 2025 and 10,394 thousand in 2030, with a CAGR of 5.5% from 2025 to 2030. There is no approved and one drug candidate under clinical trial that targets the HIF-PHD pathway for the treatment of IBD.

**Our Advantages**

*Inhibitory Activity Demonstrated in Preclinical Studies*

In an *in vitro* enzymatic assay, ISM5411 inhibited the activity of PHD1 and PHD2 with the respective IC50 values of 1.2 nM and 3.1 nM. In cell-based studies, ISM5411 was able to stabilize HIF-1α in Caco-2 cells (human colorectal adenocarcinoma cell line) with an EC50 of 1.3 μM.

*High Colon Concentration and Preclinical Efficacy Results*

We conducted an *in vivo* single-dose PK study in mice with oral administration of 10 mg/kg of ISM5411, which demonstrated a low systemic concentration and a high colon concentration, with a ratio of 67:1, as shown below.
Oral Administration of ISM5411 Demonstrated Low Systemic Concentration and High Colon Concentration in Mice

![Graph: Mean Plasma and Colon Concentration]

In an *in vitro* cell assay, T84 monolayer cells (human colorectal adenocarcinoma cell line) were treated with ISM5411 and GB004, a small-molecule PHD inhibitor being developed by Gossamer Bio, Inc. for IBD. ISM5411 induced the expressions of barrier protective genes, including claudin 1 ("CLDN1"), mucin 3 ("Muc-3") and tight junction protein 1 ("TJP1") in a dose-dependent manner and with higher potency than GB004.

**ISM5411 Induced the Expression of Barrier Protective Genes**

![Graph: mRNA Levels]

In the 2,4,6-trinitrobenzenesulfonic acid ("TNBS")-induced colitis mouse model, a recognized Th1-mediated colitis model, we used the current standard of care for IBD, mesalamine as a systemic control. Mice without TNBS treatment was used as the sham control and mice with TNBS treatment but without drug treatment was the vehicle control. 3 mg/kg of ISM5411 demonstrated significant alleviation of colitis severity, including significantly lowering disease activity index ("DAI") score, colon density and pathological score.
ISM5411 Demonstrated Significant Therapeutic Effects in TNBS-induced colitis Mouse Model

In the dextran sulfate sodium ("DSS")-induced colitis mouse model which is generally characterized with the damaged gut mucosal barrier integrity, the immunosuppressant drug cyclosporine ("CsA") was used as a systemic control. GB004 was orally administered as a head-to-head comparison. ISM5411 also demonstrated significant therapeutic effects, including significantly lower DAI score and colon density, as shown below. With respect to the DAI score, 3 mg/kg of ISM5411 demonstrated similar activity as that of 5 mg/kg of GB004. The change in colon density results suggested that 3 mg/kg of ISM5411 exhibited higher potency compared to that of 5 mg/kg of GB004.

ISM5411 Demonstrated Significant Therapeutic Effects in DSS-induced colitis Mouse Model

In the oxazolone-induced colitis model which develops mediated through Th2 cells, sharing a common pathogenesis basis with human ulcerative colitis, the pan-JAK inhibitor tofacitinib was used as a systemic control. 10 mg/kg of ISM5411 also demonstrated significant alleviation of colitis severity whereas GB004 did not show obvious efficacy in this colitis model. Additionally, ISM5411 reduced the upregulated colonic proinflammation cytokines, such as TNF-α in this model as well.
ISM5411 Demonstrated Significant Therapeutic Effects in Oxazolone-induced Colitis Mouse Model

(*p<0.05, **p<0.01, ***p<0.001, ****p<0.0001 vs, Vehicle)

Encouraging Preclinical Safety Profile

Preclinical safety evaluation of ISM5411 demonstrated that oral administration of ISM5411 did not induce adverse effects on function or behavior of central nerve system, cardiovascular and respiratory systems at therapeutical or super-therapeutical doses. Pivotal 28-day GLP tox study showed that daily oral administration of ISM5411 up to 1000 mg/kg/day for 28 days in rat and dog did not result in any adverse effects in clinical signs, body weight, hematology, blood chemistry, gross or microscopic pathology. NOAEL of 1000 mg/kg/day was determined in both species. Systemic exposure was low in rat and dog even at doses up to 1000 mg/kg/day, confirming ISM5411 as a promising gut-restricted therapeutic for IBD. There were no genotoxicity & phototoxicity concerns.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM5411 SUCCESSFULLY.

ISM6331: A Small Molecule TEAD Inhibitor for the Treatment of Mesothelioma and Other Solid Tumor

Overview

ISM6331 is a small molecule pan-TEAD1/2/3/4 inhibitor by blocking the transcriptional activity of the TEAD-Yes-associated protein/transcriptional co-activator with PDZ-binding motif (“YAP/TAZ”) complex for the treatment of Hippo pathway dysregulated solid tumors. The TEAD proteins modulate genes expression by binding to the coactivator YAP/TAZ, making the complex an attractive target for novel therapies in solid tumors deregulated by the Hippo pathway. ISM6331 has demonstrated unbiased efficacy against TEAD1/2/3/4 with a strong safety and efficacy profile in preclinical studies. We have initiated the IND-enabling studies and expect to file the IND submission in the first half of 2024.

We discovered ISM6331 by leveraging our Pharma.AI platform. By using our Generative Chemistry application, small molecule with potential inhibitory effect against TEAD were selected and ISM6331 was nominated as a preclinical candidate for the treatment of mesothelioma and other solid tumor.

Mechanism of Action

TEAD is a family of transcriptional factors including TEAD1/2/3/4 that have similar protein structure and redundant function in tumor biology. TEAD palmitoylation is very critical for its transcriptional activity and a compound binding with the modification pocket has great potential to block TEAD's transcriptional activity. TEAD always forms a functional complex with co-activators YAP/TAZ protein to regulate downstream
oncogenic genes expression that is controlled by Hippo pathway. When Hippo pathway is activated, large tumor suppressor (“LATS”) 1/2 kinases can phosphorylate YAP/TAZ and result in YAP/TAZ being sequestered and degraded in cytoplasm. Conversely, when Hippo pathway is off, such as neurofibromin 2 (“NF2”) or LATS1/2 mutation, unphosphorylated YAP/TAZ shuttle into nucleus to interact with TEAD which results in activation of TEAD-YAP/TAZ transcriptional complex. Thus, Hippo pathway deficient or dysregulated tumors are sensitive to TEAD inhibition. Mesothelioma is very malignant with only 10% five-year survival rate and so far, no targeted therapy drugs have been approved for mesothelioma treatment. In mesothelioma, about 50% patients have NF2 or LATS1/2 mutation and about 70% patients are YAP protein highly expressed. Overall, TEAD inhibition has great potential to treat mesothelioma and other Hippo pathway dysregulated solid tumor.

Many mechanical and biochemical signals can activate TEAD-YAP/TAZ activity in tumor cells, and further regulate many cell-survival/stemness related genes expression to mediate drug persistence or resistance. In addition, many anti-tumor drugs also activate TEAD-YAP/TAZ activity, including inhibitors of EGFR, MEK kinase and KRAS. Therefore, TEAD inhibition have potential to combine with various chemotherapy/targeted therapy/immunotherapy anti-tumor drugs to treat various solid tumor patients, such as combination with EGFR inhibitors for EGFR mutant lung cancer or combination with KRAS inhibitors for KRAS mutant solid tumor.

**Market Opportunity and Competition**

TEAD inhibitors results in the suppression of tumor cell proliferation, survival, differentiation and migration. Pharmacological modulators of TEADs have potential applications in cancer treatment and regenerative medicine. TEAD inhibitors may be effective monotherapies for a subset of cancers driven by the YAP/TAZ–TEAD transcriptional complex. There are three drug candidates under clinical trial and several candidates in preclinical stage.

**Our Advantages**

*Inhibitory Activity Demonstrated in Preclinical Studies*

ISM6331 had strong inhibitory and unbiased activity against TEAD1/2/3/4 palmitoylation. In cell-based assays, ISM6331 exhibited potent *in vitro* anti-proliferation activity in a panel of NF2 or LATS1/2 deficient mesothelioma cell lines without significant effect on the growth of Hippo pathway wild-type mesothelioma cells. For example, IC50 of ISM6331 in NCI-H226 cells (human malignant pleural mesothelioma cell line with NF2 loss) is 4 nM, suggesting strong inhibitory activity.
ISM6331 Potently Inhibited TEAD1/2/3/4 Palmitoylation and Showed Good In Vitro Efficacy in Mesothelioma Cell Lines Panel

Safety Profile Demonstrated in Preclinical Studies

ISM6331 showed a good safety profile in preclinical studies including hERG, safety panel and 28-day dose range-finding study. Rat 28-day DRF study demonstrated that administration of ISM6331 at 300× efficacious dose did not affect animal viability. Expected on-target renal changes (proteinuria, ↑creatinine, tubular/glomerular dilatation) were noted and they are reversible, clinically monitorable and manageable. Dog 28-day DRF study demonstrated no renal changes (proteinuria, ↑creatinine or histopathology of glomeruli or tubule) at 10-20 × efficacious dose.

Mice with ISM6331 treatment showed no significant body weight change, suggesting good safety and tolerability. In the in vivo MSTO-211H cells (human lung mesothelioma cell line with LATS1/2 mutation) derived xenograft (“CDX”) model, the immune-deficient mice were inoculated with cancer cells and then orally administered once daily with vehicle or ISM6331. As shown below, ISM6331 was well tolerated in tumor-bearing mice with comparable body weight change to vehicle.

ISM6331 Demonstrated Good In Vivo Safety in the MSTO-211H CDX Mice

Efficacy Profile Demonstrated in Preclinical Studies

ISM6331 demonstrated strong anti-tumor efficacy in in vivo MSTO-211H (LATS1/2 mutant mesothelioma) CDX model and NCI-H226 (NF2 loss mesothelioma) CDX model. The immune-deficient mice were inoculated with cancer cells and then orally administered with ISM6331 once-daily. As shown below, In MSTO-211H CDX model, ISM6331 showed dose-dependent anti-tumor efficacy as monotherapy. ISM6331 (3mpk QD x25) resulted in 67% TGI, ISM6331 (10mpk QD x25) resulted in 108% TGI with complete response in 25% mice, ISM6331 (30mpk QD x25) resulted in 100% complete response.
ISM6331 Demonstrated Good In Vivo Efficacy in the MSTO-211H CDX Mice

![Graph showing tumor volume over days of treatment]

**Abbreviation:** CR = complete response

Similarly, ISM6331 also induced tumor regression in NCI-H226 CDX model. ISM6331 (3mpk QD x28) resulted in 14% tumor regression, ISM6331 (10mpk QD x28) resulted in 45% tumor regression.

ISM6331 Demonstrated Good In Vivo Efficacy in the NCI-H226 CDX Mice

![Graph showing tumor volume over days of treatment]

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM6331 SUCCESSFULLY.

ISM5939: A Small Molecule ENPP1 Inhibitor for the Treatment of Cancer

**Overview**

ISM5939 is a novel selective oral small molecule ENPP1 inhibitor. An alternative strategy to activate STING that may prove to be safe and efficacious is to inhibit the extracellular hydrolase ENPP1, which is a negative regulator of the STING pathway and directly hydrolyzes 2’3’-cGAMP, the natural ligand for STING. Increased ENPP1 expression has been shown to be associated with reduced immune cell infiltration and poor prognosis in multiple tumor types. Inhibition of ENPP1 would prevent abolishment of the cGAS–STING-mediated immune activation and allow for modulation of the tumor microenvironment with more T-cell infiltration and dendritic cell activation. The preclinical studies show its inhibitory potency against ENPP1 and strong safety and efficacy profiles. We have initiated the IND-enabling studies and expect to file the IND submission in the first half of 2024.
We discovered ISM5939 by leveraging our Pharma.AI platform. By using our Chemistry42 platform, small molecules with potent inhibitory effect against ENPP1 were selected and ISM5939 was nominated as a preclinical candidate for the treatment of solid tumors.

**Mechanism of Action**

ENPP1 is an ecto-nucleotide pyrophosphatase that plays an important role in purinergic signaling that regulates immune, cardiovascular, neurological, and hematological system functions. ENPP1 hydrolyzes extracellular nucleotide to release adenosine monophosphate ("AMP") and/or pyrophosphate ("PPi"). The substrates of ENPP1 include 2′,3′- ATP and 2′3′-cGAMP ("2′3′-Cyclic GMP-AMP"), the natural ligand for stimulator of interferon genes ("STING"). cGAMP – STING pathway activation leads to production of Type I interferons ("IFNs") and enhancement of tumor infiltrating lymphocytes ("TIL") infiltration. ENPP1 abolishes cGAS–STING-mediated immune activation and reduces immune cell infiltration.

Intrinsic activation of the cGAS–STING pathway is known to suppress cancer development. Tumor-derived DNA leads to the activation of the cGAS-STING pathway in DCs and production of type I IFN, which regulates cross-priming of CD8+ T cells for anti-tumor immunity. ENPP1, as a negative regulator of the cGAS-STING pathway, is involved in tumor evasion of immune surveillance. Thus, the combinational treatments of immune checkpoint inhibitors with ENPP1 inhibitor, ISM5939, is likely to provide potent anti-tumor efficacy.

The following diagram illustrates the mechanism of action of ISM5939.

**Market Opportunity and Competition**

ENPP1 protein on the surface of cancer cells can help cancer cells to evade the surveillance of the immune system, causing cancer cells to metastasize and spread. Inhibition of ENPP1 would modulate the tumor microenvironment with more T-cell infiltration and dendritic cell activation, thus resulting in tumor suppression. There is one drug candidate under clinical trial and several candidates in preclinical stage.
Our Advantages

Inhibitory Activity Demonstrated in Preclinical Studies

An ENPP1 enzyme inhibitory activity assay was used to assess the bioactivity of ISM5939. Cellular ENPP1 inhibitory activity was assessed using a 2',3'-cGAMP ELISA assay in the triple negative breast cancer cell line, MDA-MB-231. ISM5939 potently inhibited ENPP1 with an IC50 of 0.63 nM in the enzymatic assay, and an EC50 of 330 nM in the MDA-MB-231 cellular assay. Further, ISM5939, at 10 uM, showed no obvious agonistic or antagonistic effects on 44 selected targets in a mini safety panel, demonstrating its selectivity as an ENPP1 inhibitor.

ISM5939 Potently Inhibited ENPP1 Enzymatic Activity

ISM5939 High Selectivity Against 44 Selected Targets

Safety Profile Demonstrated in Preclinical Studies

Mice with ISM5939 treatment showed no significant body weight change, suggesting good safety and tolerability. In the in vivo MC38 cells (mouse colon cancer cell line) derived xenograft (CDX) model, the C57BL/6J Mice were inoculated with cancer cells and then orally administered twice daily with ISM5939. As shown below, ISM5939 was well tolerated in tumor-bearing mice with comparable body weight change to vehicle.
BUSINESS

We conducted a 28-day oral repeat dose range finding toxicity study where Sprague-Dawley rats were administrated with ISM5939 at doses of 6, 20 and 100 mg/kg/day. ISM5939 was well tolerated up to 100 mg/kg/day in both genders with no accumulation following 28-day repeat dose. We also conducted a 28-day oral repeat dose range finding toxicity study where Beagle dog was administrated with ISM5939 at doses of 3, 10 and 30 mg/kg/day. Similarly, the dog DRF study revealed a good safety margin for ISM5939.

**ISM5939 Demonstrated Good *In Vivo* Safety in the MC38 Syngeneic CDX Mice**

Abbreviation: α-PD-L1 = anti-PD-L1 antibody (BioXCell cat.#BP0101)

Efficacy Profile Demonstrated in Preclinical Studies

ISM5939 demonstrated strong anti-tumor efficacy in *in vivo* MC38 syngeneic CDX model. The C57BL/6J mice were inoculated with cancer cells and then orally administered with ISM5939, with or without anti-PD-L1. As shown below, ISM5939 monotherapy (30 mg/kg, p.o. BID) demonstrated a 67% Tumor Growth Inhibition (TGI). In combination with immune checkpoint inhibitor, ISM5939 dose-dependently enhanced the efficacy of anti-PD-L1 therapy. At 30 mg/kg, p.o. BID, ISM5939 in combination with anti-PD-L1 exhibited synergistic effects, with TGI of 96% vs 53% with anti-PD-L1 alone.

ISM5939 also demonstrated strong anti-tumor efficacy in *in vivo* CT26 syngeneic CDX model. The BALB/c mice were inoculated with cancer cells and then orally administered with ISM5939, with or without anti-PD-1. As shown below, ISM5939 dose-dependently enhanced the efficacy of anti-PD-1 therapy. At 30 mg/kg, p.o. BID, ISM5939 in combination with anti-PD-1 exhibited synergistic effects, with TGI of 68% vs 28% with anti-PD-1 antibody alone.
ISM5043: A Small Molecule KAT6 Inhibitor as a Potential Treatment of ER+ HER2- Breast Cancer

Overview

ISM5043 is a novel oral small molecule KAT6-selective inhibitor with comparable potency against both KAT6A and its close paralog KAT6B. The inhibition of KAT6A can downregulate the expression of estrogen receptor α ("ERα") at transcriptional level, which potentially provides novel therapies for ER+ breast cancer patients. The preclinical studies showed its potent inhibition against KAT6A and promising safety and efficacy profiles. We have initiated IND-enabling studies and expect to file an IND submission in the first half of 2024.

We discovered ISM5043 by leveraging our Pharma.AI platform. By using our Generative Chemistry application, small molecules with potent inhibitory effect against KAT6A were selected and ISM5043 was nominated as a preclinical candidate for the treatment of ER+/HER2- breast cancer.

Mechanism of Action

KAT6A, a member of the Moz-Ybf2/Sas3-Sas2-Tip60 ("MYST") family of histone acetyltransferase ("HAT"), catalyzes the acetylation of lysine residues on histones and non-histone proteins. Bromodomain and PHD finger-containing protein 1 ("BRPF1") is an activator for post-translational modification of histones and a scaffold protein of a multiunit complex with other members including KAT6A, inhibitor of growth 5 ("ING5") and Esa1-associated factor 6 ("EAF6"). The histone proteins modulate chromatin organization and regulate diverse biological processes, including transcription, cell-cycle progression, stem cell maintenance and development. Molecular dysregulation of KAT6A has been observed in several cancers, including amplifications in breast, lung, and ovarian cancers.

ERα is a master driver of a vast majority of breast cancers. KAT6A binds to the proximal promoter region of ESR1 gene (encoding ERα) to function as a histone acetyltransferase that activates ESR1 promoter and expression. In addition, KAT6A is amplified in 10-15% of the breast cancer patient population and overexpression of KAT6A correlates with worse clinical outcome in patients with ER+/HER2- breast cancer. Thus, inhibition of KAT6A is able to block ERα at transcriptional level, which highlights promise for this novel therapy for ER+/HER2- breast cancer.
The following diagram illustrates the mechanism of action of ISM5043.

**Market Opportunity and Competition**

As an epigenetic regulator of part of the human genome, dysregulation of KAT6A have been observed in many cancers. Thus, the inhibition of KAT6A has been a potential therapeutic for specific types of cancer. There are currently two drug candidates under Phase I clinical trial targeting KAT6 protein and two drug candidates in preclinical stage.

**Our Advantages**

*Inhibitory Activity Demonstrated in Preclinical Studies*

ISM5043 has strong inhibitory activity against KAT6A (IC$_{50} = 8.0$ nM) with high selectivity over other histone acetyltransferases except for KAT6B. In cell-based assays, ISM5043 exhibited potent *in vitro* anti-proliferation activity in ER+/HER2- breast cancer cell lines with KAT6A amplification such as ZR-75-1 and CAMA-1, with IC$_{50} < 10$ nM, via suppressing H3K23 acetylation catalyzed by KAT6A and subsequent expression level of ER$\alpha$.

*Safety Profile Demonstrated in Preclinical Studies*

Mice with ISM5043 treatment showed no significant body weight change, suggesting good safety and tolerability. In the *in vivo* ZR-75-1 (human breast carcinoma cell line) xenograft model, the immune-deficient mice were inoculated with cancer cells and then orally administered once daily with ISM5043. As shown below, ISM5043 was well tolerated in tumor-bearing mice with comparable body weight change to vehicle group.
In addition, preclinical 28-day dose range-finding studies in rat and dog demonstrated good tolerability and safety of ISM5043 as well, and no treatment-related mortality or serious toxicity were noted in rat at doses up to 30 mg/kg/day (>50 folds efficacious exposure on AUC basis), and in dog at doses up to 10 mg/kg/day (>70 folds efficacious exposure on AUC basis). Major target organ was identified as thymus, which was considered mechanism of action related.

**Efficacy Profile Demonstrated in Preclinical Studies**

ISM5043 also demonstrated strong anti-tumor efficacy in *in vivo* ZR-75-1 CDX model and an ER+/HER2- breast cancer PDX model derived from a patient with metastatic disease who progressed on multiple prior lines of chemo and endocrine-therapies including letrozole in combo with palbociclib. The immune-deficient mice were inoculated with cancer cells or were implanted with tumor fragments and then orally administered once daily with ISM5043. As shown below, ISM5043 showed dose dependent anti-tumor efficacy as monotherapy in both models.

**ISM5043 Demonstrated Good *in vivo* Efficacy in ZR-75-1 CDX Model**

**ISM5043 Demonstrated Good *in vivo* Efficacy in the ER+/HER2- Breast Cancer PDX Model**

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM5043 SUCCESSFULLY.

**ISM3412: A Small Molecule Inhibitor of MAT2A as a Potential Treatment of MTAP⁻⁻ Cancers**

**Overview**

ISM3412 is a potential best-in-class, orally available small molecule inhibitor of MAT2A, a synthetic lethality target in MTAP deleted, or MTAP⁻⁻, cancers. ISM3412 functions through the suppression of S-adenosylmethionine ("SAM") production, leading to the loss of methylation function of SAM-utilizing type II arginine methyltransferase (also known as protein arginine
methyltransferase 5, the “PRMT5”). We are conducting IND-enabling studies for the potential treatment of MTAP−/− Cancers. The preliminary results demonstrated high potency, favorable safety and efficacy profile. We expect to file an IND application in the second half of 2023 and initiate a Phase I clinical trial shortly after the IND approval in China.

We identified ISM3412 by leveraging our Pharma.AI platform. Through ligand-based drug design of our Generative Chemistry application, we generated multiple hit molecules and with further optimization, ISM3412 was identified as the preclinical candidate to inhibit MAT2A.

**Mechanism of Action**

MTAP−/− frequently occurs in multiple types of cancers including non-small cell lung cancer, bladder cancer and pancreatic cancer and is associated with poor prognosis. MAT2A plays an essential role in metabolism and epigenetics as the primary producer of SAM, the universal methyl donor. SAM is the amino acid methionine bound to an ATP molecule and circulates in the blood and provides methyl groups to maintain other metabolic reactions in cell function and survival. In MTAP−/− cancer cells, MTAP deletion leads to accumulation of 5′-methylthioadenosine (“MTA”) that further inhibits the catalytic activity of PRMT5 and PRMT5 is sensitive to further inhibition by a reduction in SAM levels. Loss of methylation function of PRMT5 leads to defects in RNA splicing, gene expression and genome integrity, which would ultimately lead to cell death. Inhibition of MAT2A leads to reducing the level of SAM, affecting mRNA splicing and inducing DNA damage, and demonstrates a selective anti-proliferative effect on MTAP−/− cancer cell. Thus, MAT2A is a promising therapeutic strategy for MTAP−/− cancers.

The following diagram illustrates the mechanism of action of ISM3412.

**Market Opportunity and Competition**

Targeting the MAT2A results in reduced levels of SAM in all cells, which in turn leads to a selective reduction of PRMT5 activity in MTAP-deleted cancer cells, thereby inhibiting their growth. According to Frost & Sullivan, the incidence of ISM3412 potential cancer increased from 2,604.1 thousand in 2017 to 2,924.4 thousand in 2021, at a CAGR of 2.9%, and is expected to increase to 3,227.9 thousand in 2025, at a CAGR of 2.5%. There are currently no approved drugs and two clinical trials in solid tumors or lymphoma using this novel target, both in Phase I.

**Our Advantages**

*Inhibitory Activity Demonstrated in Preclinical Studies*

In *in vitro* enzymatic assay, ISM3412 showed substantial inhibition of MAT2A, with IC₅₀ value of 19.4 nM and showed good selectivity in the Safety 44 Mini-tox panel. In a cell based anti-proliferation
assays, MTAP^−/− HCT116 (human colorectal carcinoma cell line) and wild-type HCT116 cells were treated with ISM3412. As shown below, the results indicated that treatment by ISM3412 selectively inhibited the proliferation of MTAP^−/− HCT116 cells with IC_{50} value of 199 nM, but has no effect on the proliferation of wild-type HCT116 cells (IC_{50} ≥ 21117 nM). In the CellTiter-Glo cell viability assay, ISM3412 demonstrated high selectivity in MTAP^−/− HCT116 cell in terms of the percentage of inhibition using wild-type HCT116 cell as the baseline. We believe that the observed strong inhibition and selectivity may represent a potent MAT2A inhibition with a high safety margin.

ISM3412 Demonstrated Selective Anti-proliferation Activity in MTAP^−/− HCT116 Cells

![Graphs showing the effect of ISM3412 on MTAP^−/− HCT116 and wild-type HCT116 cells.](image)

Abbreviation: CTG = CellTiter-Glo

Safety and Efficacy Profile Demonstrated in Preclinical Studies

Preclinical safety of ISM3412 is comprehensively evaluating in ongoing IND-enabling toxicology studies. According to the up-to-date study results, ISM3412 in safety pharmacology studies did not induce adverse effects on the function or behavior of cardiovascular, respiratory or central never systems at doses of therapeutical or super-therapeutical range. 28-day dose range findings studies showed that the highest non-severely toxic dose (“HNSTD”) was 3 mg/kg/day in rat and 0.75 mg/kg/day in dog, which provided reasonable margin of safety of ISM3412 as an anti-cancer drug candidate.

We also examined the in vivo anti-tumor effects of ISM3412 in both MTAP^−/− HCT116 cells and HCC15 cells (human MTAP null non-small cell lung carcinoma cell line) xenograft mouse models. In these studies, immune-deficient mice were inoculated with corresponding cancer cells subcutaneously to develop tumors to a defined size. The mice were subsequently administered with ISM3412 once-daily. As shown below, ISM3412 was observed to suppress tumor growth in a dose dependent manner.
ISM3412 Demonstrated Anti-proliferation Activity in Both MTAP−/− HCT116 and HCC15 Xenograft Models

Potentially Synergistic Effects with Other Therapies Demonstrated in Preclinical Studies

ISM3412 also demonstrates strong efficacy in combination with other therapies, such as the chemotherapy drug docetaxel. We examined the in vivo anti-tumor synergistic effects in KP4 cells (human pancreatic ductal carcinoma cell line) xenograft mouse model. The immune-deficient mice were inoculated with corresponding cancer cells subcutaneously to develop tumors to a defined size and subsequently administered with ISM3412 once-daily or docetaxel once-weekly alone or combination of the two drugs. Compared with the monotherapy of ISM3412 or docetaxel, combination therapy of ISM3412 and docetaxel showed potential synergistic effects.
ISM3412 Demonstrated Synergistic Effects in Combination with Docetaxel in KP4 Xenograft Mouse Model

**Overview**

ISM3412A is a novel oral small molecule DGKA inhibitor for the potential treatment of solid tumors. DGKA is a kinase which promotes the synthesis of phosphatidic acid (“PA”) from diacylglycerol (“DAG”), which in turn regulates T cell activation. Preclinical studies show that ISM4312A has excellent potency, high selectivity for DGKA and robust anti-tumor activity combined with checkpoint inhibitor (anti-PD-1) therapy.

We discovered DGKA inhibitors by leveraging our Pharma.AI platform. We used our PandaOmics application to explore targets that can overcome resistance to anti-PD-1 therapy. DGKA was selected for further exploration. Small molecule inhibitors with single digit nM potency were identified targeting DGKA and ISM4312A was then nominated as a preclinical candidate for the potential treatment of solid tumors.

**Mechanism of Action**

Diacylglycerol kinase (“DGK”) is a family of isozymes that phosphorylate the membrane lipid, DAG, to PA. Both DAG and PA act as vital second messengers to regulate multiple cellular signal transduction pathways including protein kinase C (“PKC”) and mitogen-activated protein kinase (“MAPK”), indicating the function of DGK in signal transduction. DGKA (DGKα), one human DGK isoform enriched in
lymphoid tissues especially T cells, controls the magnitude of the T cell receptor response and T cell anergy, and has been reported to play a role in mediating numerous aspects of cancer progression including survival, migration, and invasion of cancer cells.

PD-1, a checkpoint protein on T cells, acts as “off switch” signal that helps to keep T cells from attacking cancer cells in the body. The existing immunotherapy, PD-1/PD-L1 axis blockade, has been proven to be highly efficient for the treatment of a variety of cancers by boosting the immune response against cancer cells. DGKA mediates T cell dysfunction and postpones T-cell exhaustion during anti-PD-1 therapy to develop resistance to PD-1 blockade, suggesting that inhibition of DGKA offers a promising strategy to improve the efficacy of immunotherapy in the treatment of cancer.

The following diagram illustrates the mechanism of action of ISM4312A.

Market Opportunity and Competition

DGKA is found to be expressed in both cancer cells and T cells. Targeting DGKA could inhibit cancer cell proliferation and also promote TCR signaling, thus restoring the function of endogenous tumor-specific T cells. There are few current pipelines targeting this enzyme. Two drugs targeting isoforms of DGKA is currently in Phase I clinical trials. Two clinical candidates targeting DGKA are currently in Phase I clinical trials.

Our Advantages

DGKA Inhibitory Activity Demonstrated in Preclinical Studies

ISM4312A is a novel DGKA inhibitor with excellent potency (IC_{50} of 120 pM) and high selectivity against 468 other kinases (at 1μM). In the cellular T-cell activation assay, ISM4312A induced IL-2 production in the T cells of human PBMC and T cell functional activation in a dose dependent manner.
ISM4312A Showed Potent inhibition Against DGKA and Good Selectivity In Vitro

ISM4312A Could Induce CD4+ and CD8+ Activation in Mouse Splenocytes in a Dose Dependent Manner

Abbreviation: MFI: median fluorescence intensity
Safety Profile Demonstrated in Preclinical Studies

In the MC38 (murine colon carcinoma cell line) xenograft mouse model, the immune-intact mice were inoculated with cancer cells and then orally administered with ISM4312A twice-daily or anti-PD-1 twice-weekly alone or combination of the two drugs for treatment. The TGI of ISM4312A at 3 mg/kg BID in combination with anti-PD-1 treatment was 93.4%, and 37.5% mice achieved complete regression. In contrast, the TGI of ISM4312A at 3 mg/kg BID monotherapy was 25.2%. The anti-PD-1 at 5 mg/kg BID monotherapy showed the TGI of 50.8% with no mice achieving complete response. The results demonstrated synergistic anti-tumor activities of ISM4312A in combination with anti-PD-1 therapy, as compared with the single anti-PD-1 or ISM4312A treatment.

ISM4312A Demonstrated Synergistic In Vivo Efficacy in MC38 Model in Combination with Anti-PD-1

Preliminary in vivo data indicates that ISM4312A is well tolerated as a single agent and in combination with checkpoint inhibitors.

 Selected Early-Stage Drug Candidates

We have also developed a rich pipeline of preclinical drug candidates with strong preclinical validation and market potential in oncology, including CDK12 and c-MYC targeting drug candidates.
CDK12 inhibitors

CDK12 plays versatile roles in regulating RNA transcriptional elongation, splicing and termination, and is an essential regulator of DNA damage response genes. Inhibition of CDK12 sensitizes synthetic lethality combined with agents that inhibit DNA-repair processes. CDK12 inhibitors would be valuable as experimental therapeutics in solid tumors. As far as we know, there is currently no small molecule candidate against CDK12 in clinical trials.

The front runner is a potent, selective, and oral available CDK12 covalent inhibitor. Our Generative Chemistry platform empowered the small molecule generation. This front runner demonstrated potent CDK12 inhibition, profound cellular anti-proliferation effect, excellent dose dependent tumor inhibition and favorable PK properties. We plan to initiate IND-enabling studies in 2024.

c-MYC Targeting Drug

This drug is a potent proteolysis-targeting chimera (“PROTAC”) degrader to target c-MYC function. c-MYC is a transcription factor that is constitutively and aberrantly expressed in over 70% of human cancers.

This early-stage drug candidate is PROTAC degrader selectively binding to the c-MYC protein interface and degragate the c-Myc protein. This drug demonstrated nanomolar c-MYC protein degradation activity and established dose dependent tumor regression and strong target engagement in c-MYC dependent cell derived xenograft model. We plan to initiate IND-enabling studies in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR EARLY-STAGE DRUG CANDIDATES SUCCESSFULLY.

OUR GENERATIVE AI-BASED PHARMA.AI PLATFORM

Our Pharma.AI platform consists of Biology42, Chemistry42 and Medicine42, which are designed to be integrated across the drug discovery and development process in order to efficiently identify novel drug targets, design de novo molecules against both novel and known targets and optimize clinical development. While the development of drug candidates remains costly, time consuming and inherently uncertain, our goal is for our Pharma.AI platform to accelerate and reduce the cost of developing novel, life-saving drugs for patients. As of the Latest Practicable Date, our Biology42 platform includes the PandaOmics, Generative Biologics, and Life Star 1 applications; our Chemistry42 platform includes the Generative Chemistry and Golden Cubes applications; and our Medicine42 platform includes the inClinico application. We are constantly working to enhance our platforms and anticipate adding new features and applications to expand their capabilities. Below is an overview of the key applications in our platforms.
**PandaOmics: Discovery and Prioritization of Novel Targets**

We have been developing PandaOmics since 2014 to facilitate AI-based target discovery, which complements our drug discovery capabilities and provides a competitive advantage over competing AI-driven drug discovery companies that are primarily focused on chemistry (drug discovery). Powered by AI and proprietary insights based on expertly curated datasets, PandaOmics is designed to facilitate systems biology research, which focuses on the fundamentals of complex interactions within biological systems in order to identify disease signatures and actionable targets in a disease-relevant manner. We believe that the comprehensive analyzes enabled by PandaOmics allow us to identify novel targets and prioritize established targets in diseases of interest for further development.

**PandaOmics Workflow**

Based on our curated databases, or user-provided databases in certain cases, and our AI algorithms and models, PandaOmics carries out a comprehensive omics data analysis and interpretation workflow. As outlined in the figure below, the workflow involves omics sample search and selection, sample clustering, comprehensive pathway analyzes that convert a list of seemingly unrelated genes into a connected story using our proprietary iPanda algorithm and natural language-based analyzes of publications and grants. Using this workflow, PandaOmics is designed to propose a list of disease targets, including novel targets that may not be unveiled by simple bioinformatics analyzes on public databases. This workflow can be customized with an extensive set of filters modulating a variety of parameters, including novelty or prior validation, to prioritize targets based on different target identification strategies and preferences.

**The PandaOmics Workflow**

During the target identification process, our AI models dynamically assess disease targets based on a variety of measures, such as novelty, accessibility by small molecules and biologics, safety and tissue expression specificity, to collectively generate hypotheses around their potential druggability profiles. In addition, PandaOmics deploys over 60 AI scoring paradigms to evaluate other academic and clinical aspects of the identified targets, including the predicted probability of product candidates for a potential target to be advanced from preclinical studies to Phase I clinical trials for any disease in the next five years, the estimated probabilities of successful phase-to-phase transitions for disease-specific trials, as well as an assessment of whether there may be a growth of industry attention to the target in the next three years based on the time series data about relevant literature, grant funding and clinical trials.
Validation of Our “Time Machine” Approach

We adopted a “time machine” approach to assess the ability of our AI models to prioritize promising novel targets. As part of this approach, we train our AI models to recognize patterns based on empirical data comparing initial target discovery during a defined point in time to the level of pharmaceutical industry interest in a subsequent time period. For example, if we set 2010 as the watershed year, we train the AI models with all of the omics and text data that we have curated, harmonized and time stamped to be prior to 2010, and then use the trained AI models to predict the targets that have corresponding product candidates entering the clinic after 2010. We consider the AI models to be effectively trained when our list of predicted targets significantly overlaps with actual “hot” targets in the industry. Otherwise, we proceed to modify the AI algorithms and retrain the models through another “time machine” cycle. This “time machine” cycle continues until the model is robust.

PandaOmics in Practice

We believe the potential of PandaOmics in novel target identification has been demonstrated through the depth of our pipeline and the multiple external collaborations we have established. For example, we successfully assisted a leading global pharmaceutical company in identifying novel protein targets that met specified criteria, including complete novelty with no prior clinical studies on the target candidates, druggability with small molecules and/or therapeutic antibodies, limited level of toxicity and a role within a given biological process of interest.

For our collaborators and customers, PandaOmics is accessible through a user-friendly, browser-based interface built on top of a distributed, scalable cloud-based platform. The implementation integrates a variety of features, including cluster management, multiple flexible workflows, integrated monitoring and logging, all aimed at optimizing the performance of PandaOmics. The PandaOmics application is designed to enable individuals without substantive industry experience or domain expertise to perform complex tasks in target discovery. To further enhance the user experience, PandaOmics has integrated ChatGPT’s LLM module to provide chatbot functionality through the feature of ChatPandaGPT. The built-in chatbot allows users to query PandaOmics’ powerful database by asking questions in plain language. ChatPandaGPT then interprets the user’s query into a machine-readable format for processing by PandaOmics. Once PandaOmics returns a result, ChatPandaGPT converts the answer into a plain language response. Compared to standard ChatGPT, queries to ChatPandaGPT provide more relevant results and higher accuracy in the subjects of target identification and disease hypothesis generation. As evidence of the ease of use of the platform, PandaOmics was successfully used by a high school student to identify novel targets in neuroblastoma, in addition to some targets that are in clinical development for other cancer types.

Overall, we aim to build a platform that allows non-experts to effectively harness the power of the platform while more experienced users can use the advanced settings to customize outputs for highly sophisticated queries. The structure of the PandaOmics application enables seamless third-party use via a commercial SaaS version, which we commercially launched in late 2020. We believe the user-friendly software interface and ease-of-use, as well as the demonstrated capabilities of PandaOmics in analyzing omics data and proposing novel targets, will support its wide adoption by stakeholders across the pharmaceutical R&D industry.

PandaOmics Case Study #1 — Confirmation of Novel Targets for Crohn’s Disease

Problem: Crohn’s disease, is a major type of IBD, which affects different sections of the gastrointestinal tract. Although the exact cause of Crohn’s disease is not well understood, several components of risk and prognostic factors have been identified, including genetic factors, autoimmune mechanisms and pathogenic infection. Therapies targeting different components of immune response and inflammation are currently in development for the treatment of Crohn’s disease, but not all patients respond to standard targeted therapies, providing an opportunity for the development of a novel therapeutic option based on new insights or mechanisms associated with Crohn’s disease.
Our Solution: As part of our internal study to assess the capabilities of PandaOmics, we deployed our PandaOmics application to identify promising therapeutic targets for the potential treatment of Crohn’s disease. In particular, we activated all omics-based hypothesis generation models to capture all of the potential target-disease associations included in our datasets, set the filter to prioritize protein targets that are accessible for small molecules and set the maximum number of publications that study target genes.

Results: During the study conducted in 2018, PandaOmics generated a list of several dozen disease-relevant targets with sphingosine 1-phosphate receptor 5 (“S1PR5”), ranked first in the query. S1PR5 is a member of the sphingosine 1-phosphate receptor family, which is involved in immune-modulation through the trafficking of lymphocytes. Consistent with the results generated by PandaOmics, several compounds that target the S1PR family members have been developed by third-party pharmaceutical companies, including ozanimod, an agonist for S1PR1 and S1PR5 that was approved for the treatment of multiple sclerosis in March 2020 and for ulcerative colitis in May 2021 and is currently in a Phase III trial for the treatment of Crohn’s disease. We were not involved in the drug development efforts for any compound targeting the S1PR family members.

PandaOmics Case Study #2 — Identification of Novel Targets for Amyotrophic Lateral Sclerosis (“ALS”)

Problem: ALS, a rapidly progressive, age-associated rare disease, is the most common type of motor neuron disease and results in the progressive loss of motor neurons that control voluntary muscles, including those responsible for breathing. Currently, there is no effective treatment, and ALS patients usually succumb to the disease due to respiratory failure. FDA-approved therapies typically do not reverse neurodegeneration and, in some cases, fail to exhibit any clinical benefit.

Our Solution: We applied PandaOmics to analyze transcriptomic profiles in central nervous system samples from public datasets and in direct iPSC-derived motor neurons, or diMNs, from Answer ALS to identify a range of high confidence and novel targets associated with ALS.

Results: We identified 28 potential therapeutic targets, many of which are involved in the process of excitotoxicity, apoptosis and inflammation that is consistent with the proposed mechanisms leading to ALS. Neuroscientists and clinical doctors selected some of these targets for validation studies with induced pluripotent stem cells (“iPSCs”), animal models as appropriate. In validation studies conducted using a fruit fly model that mimics the common genetic cause of ALS, 18 of the identified targets showed functional correlations to ALS, as suppression of these targets showed moderate or strong rescue of neurodegeneration. In addition, for three of the identified targets with approved drugs, some of the approved drugs are undergoing repurposing studies for a potential indication expansion. We have not been involved in the drug development efforts of any of these targets or compounds. The results of our study were published in a peer-reviewed scientific journal Frontiers in Aging Neuroscience in June 2022.

We believe our study of ALS with PandaOmics could facilitate the identification of new drugs or combination therapies for patients with ALS and potentially open a new path to search for the cure of other related diseases with significant unmet needs. We plan to seek collaborations with medical institutions and researchers to further validate the results of our study and explore the development of potential treatment options for ALS.

PandaOmics Case Study #3 — Prioritization of Immuno-Oncology Drug Candidates

Problem: One of our collaborators focused on the development of novel technologies for cancer immunotherapy requested our assistance in: (1) prioritizing their multiple molecular constructs, which are called bi-functional antibody-ligand traps and target various immune checkpoint inhibitors, with respect to their targets and (2) identifying the tumor types where the selected molecular constructs have the potential to demonstrate greatest potency.
Our Solution: We leveraged PandaOmics’ pathway and gene-level analysis of tumor samples, which confirmed that the two targets of the chosen molecule exercised independent yet cooperative mechanisms of immune tolerance, thereby supporting a therapeutic rationale for simultaneously counteracting both axes in the tumor microenvironment.

Results: Our collaborator used the results generated by PandaOmics, which were peer-reviewed and published, to prioritize cancer indications and tumor types in preclinical studies and clinical trials. One of the molecules that we helped to analyze is currently undergoing a Phase II clinical trial for the potential treatment of non-small cell lung cancer, one of the tumor types proposed by PandaOmics. Subsequently, our collaborator worked with a leading global pharmaceutical company for further development of the molecules.

Generative Chemistry: Generation of Novel Small Molecules

We developed Generative Chemistry as a customizable and fully automated software platform that integrates state-of-the-art AI algorithms with computational and medicinal chemistry methods to generate novel molecules with defined, drug-like properties. We designed Generative Chemistry to be integrated with PandaOmics to enable an efficient workflow from novel target identification to de novo small molecule generation and optimization, as shown below. The platform’s capabilities in designing diverse, novel molecular structures with predefined properties is demonstrated through our development of a pipeline of 31 programs for 29 drug targets, including three clinical-stage drug candidates. Through our software license and research collaborations, Generative Chemistry is also deployed by multiple biopharmaceutical companies in different therapeutic areas.

The Interoperability of Generative Chemistry and PandaOmics Allows for an Efficient Interaction between Novel Target Identification and Novel Small Molecule Generation

Since we initiated the development of Generative Chemistry in 2016, the platform has evolved from a conceptual framework to an integrated operating system embedded with a collection of over 40 AI models, as shown in the figure below. Our approaches to generative chemistry have changed over time. Initially a single model, Generative Chemistry evolved into generative ensembles and proceeded with custom reward functions designed from first principles of medicinal chemistry.
Generative Chemistry Has Evolved from a Conceptual Framework in 2016 into a Fully Integrated Operating System Today

Our Compound Generative Chemistry AI Platform Has Evolved from Models to An Operating system in 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestones</th>
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<tbody>
<tr>
<td>2015</td>
<td>First concepts of GANs for molecules</td>
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<tr>
<td>2016</td>
<td>Many concepts for GANs for molecules, First patents</td>
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<tr>
<td>2017</td>
<td>Multiple working GAN and GAN-RL models, First virtual screening systems, Synthetic and experimental validation started, More patients</td>
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<td>2018</td>
<td>Many GAN-RL models, Genetic + RL models, New molecule representations, Many MCF filters, Virtual screening, ChemAxon model started, Extension experimental validation</td>
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<tr>
<td>2019</td>
<td>Integration of data management, Generative Chemistry models, (X+Y) validated experimentally, Ability to design &amp; design new models, More innovation, More and more validation and analytics</td>
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<tr>
<td>2020</td>
<td>Integration, Scaling, Native Cloud, Production, HPC management, Applications development, On-premise deployment to a big pharma customer</td>
</tr>
<tr>
<td>2021-2023</td>
<td>SaaS version released, Enhanced cheminformatics 2.0 version, Enhancing FluidCube Application</td>
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The Introduction of Deep Learning and Generative Chemistry

The effective analysis of the information contained within large datasets, such as the biological and chemical datasets used in drug discovery, typically requires adapted computational approaches. Machine learning and, more recently, deep learning, are currently the cornerstones of modern AI technology.

Compared to machine learning, deep learning techniques offer new possibilities for synchronizing formerly incompatible data types and accelerating and optimizing the development of new compounds with specific desired properties. Deep learning is also distinguished from other machine learning methods through its ability to identify relevant patterns within complex, nonlinear data. An example of this application in drug discovery is the implicit chemical knowledge generation through pattern recognition in structural molecular data, which is an important progression from the standard de novo design methods that rely on explicit chemical knowledge garnered from synthesis rules or basic physical models. Imbued with the ability to derive novel insights, deep learning-based technologies offer improved prediction capabilities across a wider range of variables, which allow for the in silico design of de novo molecules with the desired attributes, and has the potential to lead to more optimized molecules for development.

Generative chemistry is an approach that relies on deep learning models to learn the nonlinear relationships between chemical structures and their biological and pharmacological properties from datasets and perform computational design of molecules with desired properties. As pioneers in the field of generative chemistry, Mr. Alex Zhavoronkov, Ph.D., our CEO and co-contributors proposed the first deep learning-based model to generate de novo molecules in 2016 and have contributed to developments in generative models for drug discovery by applying generative adversarial networks, or GANs, and reinforcement learning, or RL, for this field. During the last seven years, GANs and variants using RL have been applied for the design of molecular structures, resulting in proposed molecules with desired chemical and biological properties. Our contributions, described below, have led to new classes of generative models capable of generating diverse synthetic molecular compounds.

We have developed multiple generative chemistry models based on the GAN and RL paradigms as well as other types of models based on the string representations of molecules, also referred to as SMILES, which have addressed the shortcomings of and demonstrated improved performance over earlier model
iterations. Our generative models have demonstrated the potential to efficiently identify molecules \textit{in silico}, which have subsequently been synthesized and demonstrated metabolic stability and activity \textit{in vitro} and \textit{in vivo} within disease-relevant models. Selected examples of the models we have developed include the following:

- Reinforced adversarial neural computer, or RANC. A RANC uses a differentiable neural computer, or DNC, network and has increased design capabilities due to the addition of an explicit memory bank that serves as a generator. This model results in the generation of more unique structures and more molecules that pass a set of medicinal chemistry filters.

- Adversarial threshold neural computer, or ATNC. Similar to RANC, a ATNC uses DNC as a generator, but also includes a supplementary computational unit and environmental filter called the adversarial threshold. This model has the ability to generate molecules with improved target properties.

- Entangled conditional adversarial autoencoder, or ECAAE. This model utilizes conditional generation and can satisfy multiple structural and physicochemical conditions when producing novel molecular structures. For example, such a model can produce novel structures satisfying 166 binary constraints.

- Generative tensorial reinforcement learning, or GENTRL. GENTRL learns a highly multimodal latent representation of chemical space, structured as a mixture of over a googol Gaussians. The model supports efficient sampling and conditional and RL-based optimization.

\textit{Generative Chemistry Workflow}

Generative Chemistry entails a three-step workflow for the generation of novel drug molecules with desired properties against specific targets: (1) configuration; (2) iterative molecule generation and evaluation; and (3) analysis and visualization, as summarized in the figure below.

\textbf{Three-Step Workflow of Generative Chemistry}

\textit{Step 1: Configuration}

For each generative experiment, Generative Chemistry is first configured using available experimental data. The application uses this information to triage the generated molecules and deliver a diverse database of optimized molecular structures clustered based on chemotype and ranked by score, which can be done as quickly as within a few hours.
Generative Chemistry allows for both a ligand-based drug design, workflow, which requires a two- or three-dimensional ligand structure as input, and a structure-based drug design, workflow, which requires a protein structure as input. Both ligand-based drug design and structure-based drug design approaches can be further configured with a pharmacophore hypothesis — the spatial distribution of molecular features necessary for activity. To guide its generation of molecules, Generative Chemistry follows rules defined by acceptable ranges for molecular properties, such as molecular shape, chemical complexity, synthetic accessibility and metabolic stability.

**Step 2: Iterative Molecule Generation and Evaluation**

The second step involves deploying over 40 generative AI models embedded in the platform. These models have diverse architectures that implement strategies to explore chemical space and improve structural design in order to generate novel molecules that meet predefined specifications. Generative Chemistry is flexible and customizable as it allows for a mix of platform-based and external AI models to be used for generative purposes.

Once an initial library of molecules is generated, Generative Chemistry conducts a dynamic assessment of those molecules via a virtual screening to verify their properties using reward and scoring functions, which are classified as either 2D or 3D modules defined by the criteria configured in the Step 1.

- The 2D modules are subject to multiple scoring functions and filters, including in-house medicinal chemistry filters that are composed of over 450 structure-based rules that exclude structures with alerts, such as functional groups that are reactive, unstable or potentially toxic.

- Five different 3D modules then assess the classified 2D molecules based on additional critical factors, such as binding affinity, 3D structure and shape and functional group complementarity to a pharmacophore hypothesis.

The results from the 2D and 3D modules are incorporated into the feedback loop as training datasets to benchmark and further optimize the generative AI models, which allows for a virtuous cycle of reinforcement learning that produces enhanced results for future iterations or research projects. This exhaustive, reinforcement learning-driven, multi-agent approach enables multiple generative models to concurrently learn and compete while generating, refining and selecting high-quality molecules with desired parameters. Based on over 440 experiments conducted to date with Generative Chemistry, the average duration is approximately 72 hours from configuration to the generation of molecular structures that pass all specified reward filters. Many structures are generated because of the collaboration of multiple models — while one model generates an initial structure, other models sequentially improve the structure with a variety of distinct approaches.

**Step 3: Analysis and Visualization**

In the final step, Generative Chemistry uses advanced algorithms to automatically rank and annotate each generated molecular structure with relevant properties, including physiochemical parameters, binding scores, drug-like features, synthetic accessibility, novelty and diversity.

**Generative Chemistry in Practice**

Using Generative Chemistry, we have generated de novo compounds for all our pipeline programs, including ISM001-055, which is currently in Phase II clinical trials for the potential treatment of IPF. In addition to our internal application of Generative Chemistry, as of the Latest Practicable Date, we have out-licensed Generative Chemistry to multiple top biopharmaceutical collaborators, which we believe underscores the pharmaceutical industry’s growing recognition of the capabilities of Generative Chemistry, following its launch in late 2020.
For our collaborators and third-party customers, Generative Chemistry is accessible through a user-friendly, browser-based interface built on top of a distributed, scalable cloud-based platform. The implementation integrates a variety of features, including cluster management, multiple flexible workflows, integrated monitoring and logging, all aimed at optimizing the performance of Generative Chemistry. The structure of the platform enables seamless third-party use via a SaaS model or as a software package for local deployment. Generative Chemistry’s customizable, user-friendly interface makes it broadly accessible to AI specialists, medicinal chemists, computational chemists and other researchers alike.

**Generative Chemistry Case Study #1 — Generation of DDR1 Kinase Inhibitors with a Prototype GENTRL Model**

**Problem:** In 2017, we developed a deep generative AI algorithm, the GENTRL model, a computational technique that uses rewards to guide an algorithm as it searches for molecules that satisfy its pre-specified criteria. The GENTRL model is the prototype of one of the 40 AI models currently embedded in Generative Chemistry. We sought to assess the ability of the GENTRL model to generate potent small molecule inhibitors of the discoidin domain receptor tyrosine kinase 1, or DDR1, a kinase target implicated in fibrosis and other diseases.

**Our Solution:** We trained the GENTRL model using databases of known DDR1 inhibitors, kinase inhibitors, non-kinase inhibitors and patent-protected molecules. Based on measures of novelty and predicted DDR1 inhibition, the GENTRL model proposed 30,000 potential molecules. This initial universe was then further assessed and filtered by the algorithm together with input from our computational medicinal chemistry experts to yield six potential product candidates, as shown below.

**Results:** In 46 days, we were able to identify, synthesize and verify novel molecules with nanomolar binding affinity to DDR1. The entire computational process took only 21 days. Four compounds were confirmed to be active in biochemical assays with nanomolar potency, two of which were validated in cell-based assays. One lead candidate was further studied in mouse models and demonstrated favorable pharmacokinetic properties. The results of this study were peer-reviewed and published in Nature Biotechnology in 2020.

**Generative Chemistry Case Study #2 — Generation of SARS-CoV-2 3CL\textsuperscript{pro/M\textsuperscript{pro}} Protease Inhibitors as Potential Novel Therapeutics against COVID-19**

**Problem:** In response to the COVID-19 pandemic, many pharmaceutical, biotechnology and academic institutions sought to discover therapeutics to treat COVID-19, including small molecule inhibitors against one of the most promising targets of the SARS-CoV-2 virus, 3CL\textsuperscript{pro/M\textsuperscript{pro}}. The presence of a cysteine residue in the pocket makes the SARS-CoV-2 3CL\textsuperscript{pro/M\textsuperscript{pro}} enzyme an ideal candidate for covalent binders. However, among the published structures of covalent inhibitors, many had peptide-like cores, reported poor clearance data and were difficult to synthesize.
Solution: Using a structure-based approach, we deployed Generative Chemistry for the design of novel, potent covalent inhibitors of the SARS-CoV-2 3CL\textsuperscript{pro}/M\textsuperscript{pro} enzyme that would be synthetically accessible and have optimal physicochemical and ADME and toxicity properties.

Results: We have identified a series of novel active compounds and nominated two lead compounds that are non-peptide-like, covalent irreversible SARS-CoV-2 3CL\textsuperscript{pro}/M\textsuperscript{pro} enzyme inhibitors. The binding mode has been confirmed with X-ray crystallography. Both lead compounds have low double-digit nanomolar IC\textsubscript{50} values in SARS-CoV-2 3CL\textsuperscript{pro}/M\textsuperscript{pro} enzymatic assays and single-digit micromolar activity in SARS-CoV-2 IFA Vero cell-based assays. This signifies encouraging activity of our compounds in primary and secondary assays. The compounds are easy to synthesize, have optimized ADME and PK properties and good metabolic stability compared to reference compounds that use the same mechanism of action. We nominated a preclinical candidate for the potential treatment of COVID-19 in May 2022, and a subsequent approval of our IND application by the NMPA in February 2023.

For additional examples of how Generative Chemistry contributed to the discovery and development of our pipeline programs, please see “— Drug Candidates.”

inClinico: Prediction of Clinical Trial Outcomes

Since 2016, we have been developing and testing inClinico, a multi-engine, generative AI analysis application that is designed to prospectively predict the outcomes of clinical trials by quantifying the probability of the product candidate to successfully transition to the next phase of clinical development. inClinico utilizes advanced AI algorithms to analyze vast amounts and types of data on molecular targets, diseases, clinical trial protocols and trial results. The following diagram depicts the overall structure of inClinico.

Overview of inClinico

Relying on state-of-the-art AI machine learning models for multi-modal assessment, inClinico is a multi-engine, generative AI clinical trial analysis application designed to predict clinical trial success. inClinico is focused primarily on the probability of success of Phase II clinical trials across a broad range of therapeutic indications, a critical stage that we believe is typically the primary inflection point linked to the first proof-of-concept data in patients. In addition, by scrutinizing detailed information on clinical trial design, inClinico also facilitates the identification of potential weak points in clinical trial design and allows the sponsors of clinical trials to adjust accordingly to potentially increase the probability of success of their trials.

By integrating and analyzing a variety of data sources, inClinico computes scores on different components pertinent to trial success, including target choice, drug structure, trial design and patient eligibility. These scores are integrated into a forecasted probability of a clinical trial successfully advancing to the next stage of the development process. In particular, the target choice score is assessed based on
shared elements with PandaOmics that estimate associations of the target of interest with the associated disease as well as the heterogeneity of the disease in the context of the target of interest. Furthermore, the drug structure score is derived based on shared elements with Generative Chemistry that evaluate contributions of molecular descriptors as well as ADME and toxicity features.

Clinical development is a costly and time-consuming process, and the ability to accurately predict clinical trial outcomes, particularly in the early discovery stages, has the potential to significantly reduce costs and enable the prioritization of programs that are more likely to succeed and receive regulatory approval. We are continuing to refine inClinico with the goal of having the insights generated by inClinico to be able to assist biopharmaceutical companies prioritize promising pipeline programs, improve clinical trial designs and improve overall return on R&D spend. We commercially launched inClinico in November 2022 as a potential offering to the biopharmaceutical industry and financial investment community.

**inClinico in Practice**

As part of an internal validation study, we trained inClinico using publicly available data from clinical trial results prior to 2021 and then prospectively validated the platform using the results of clinical trials across different therapeutic areas that read out between January 2021 and September 2021. In this study, inClinico achieved a 0.86 prediction value based on area under the curve, or AUC, of the receiver operating characteristic, or ROC, curve, a measure of diagnostic ability where a 1.0 AUC of ROC indicates perfect predictive power in predicting the likelihood of clinical trial progression from Phase II to Phase III. We continue to improve the functionalities of inClinico on an ongoing basis, based on both current and future clinical trials, with the aim of enhancing its real-world performance and proving its applicability.

In 2019, a global pharmaceutical company engaged us to apply inClinico to predict seven outcomes within six of its ongoing Phase II clinical trials selected by the pharmaceutical company. We deployed inClinico to estimate the probability of success and to perform feature analysis of those seven outcomes. As of Latest Practicable Date, seven of the seven outcomes of the clinical trials had read out, and InClinico correctly predicted five of the seven outcomes.

While these early results are encouraging, we would need substantially more results to appropriately evaluate inClinico’s effectiveness.

**inClinico Case Study — Prediction of the Outcomes of Five Phase II Clinical Trials**

**Study Description:** In 2020, as part of our internal prospective validation of inClinico, we deployed the platform to prospectively predict the probability of success for selected then-ongoing clinical trials, including five Phase II clinical trials. In developing and testing inClinico, we primarily focus on predicting the probability of success for clinical trials that are in Phase II, a critical stage that we believe is typically the primary inflection point linked to the first proof-of-concept in human. Generally, we select clinical trials for prospective testing of inClinico by considering the following factors: (1) the clinical trials are expected to read out reasonably soon after the time we conduct the testing; (2) each of the clinical trials is designed to test a single drug candidate; (3) every selected clinical trial assesses a small molecule with a defined molecular target; and (4) there is no engagement between our company and the company whose drug candidates are evaluated in the clinical trials at the time we conduct the prospective testing. We selected the aforementioned clinical trials for this case study based on these criteria. This study was conducted using only publicly available information and did not receive or incorporate any non-public information from the clinical trial sponsor.

**Results:** Of the five Phase II clinical trials that we included in our study, we predicted that four clinical trials were likely to meet the primary endpoints and further proceed to the next stage of clinical development. inClinico predicted that the one remaining trial, a Phase II clinical trial of fevipiprant, a selective antagonist of the prostaglandin D2 receptor 2, for the potential treatment of childhood-onset asthma with, was unlikely to reach Phase III. As shown below, the score landscape generated by inClinico
for this Phase II trial suggested that the chosen target may be a suboptimal target for this drug candidate, providing insight about the potential for this trial to fail.

Example of an inClinico Output Highlighting Weak Points in a Clinical Trial

Several months after our prediction, the sponsor terminated the clinical trial prior to its anticipated completion, later citing that prostaglandin D2 receptor 2 inhibition with fevipiprant was not effective in patients with uncontrolled asthma. All other four Phase II clinical trials that we predicted to be successful had read out to date, and three of them met their respective primary endpoints while one did not.

Quantum Computing-powered Generative AI

AI and quantum computing are beginning to play an increasingly important role in modern society. Quantum computing approaches can provide exponential increases in the speed of solving certain problems compared to their classical counterparts, which can be used in generative chemistry and drug discovery. We are currently exploring the feasibility of developing and integrating these approaches into our Pharma.AI platform. The key potential integration points of quantum computing into our Chemistry42 platform are outlined below.
All application areas can work in a complementary way with our Chemistry42 platform. One promising direction is the use of quantum optimizers based on quantum annealing or variational problem solving (“VQE”) in the preliminary training stage of existing generative AI models. We are also exploring ways to integrate quantum generative AI models (“QGANs”) and other quantum generative reinforcement-learning (“QGRL”) models in development into the existing ensemble of classical models. Such models will be more efficient due to deeper sampling of the latent variable space, which is unattainable on classical computers. Finally, for scoring and post-generative optimization problems, it is necessary to use expensive computational modeling methods based on first-principles approaches. The simulation of many-body fermion systems on quantum architectures is now one of the most advanced areas, and any advances in this area will be used to solve scoring problems. Overall, quantum computing has the potential to disrupt the biopharmaceutical industry.

**Quantum Computing in Practice**

**Study description:** In 2022 we explored the utility of a hybrid quantum-classical GAN for small molecule discovery. As shown below, in that study we substituted different elements of GAN (noise generator, generator and discriminator) with a variational quantum circuit (“VQC”) to approach the task of generating novel molecules.
**BUSINESS**

**Results:** First, we showed that using a VQC as a noise generator for classical GAN can generate small molecules with better drug properties, including QED, SA, and LogP, especially when the input dimension to the generator is small. However, it is still inferior to classical methods in terms of the uniqueness of the generated molecules. Then, we replaced the classical generator with a VQC using the patch method and demonstrated the potential of generating training set-like small molecules using a quantum generator. Finally, we replaced the classical discriminator with a VQC and compared its performance with the classical counterpart. This hybrid model outperformed the classical counterpart in terms of generated molecule properties and KL score. We also demonstrated that the hybrid model can generate valid molecules with only tens of learnable parameters in a quantum discriminator. We are exploring ways to further improve the model and integrate it into our pipeline.

**OUR AI-DRIVEN ROBOTICS LABORATORY FOR TARGET DISCOVERY AND VALIDATION**

We have constructed a cutting-edge robotics lab in Suzhou, China, that complements our end-to-end generative AI platform and moves us closer to our vision for the future of personalized drug discovery. Dubbed the “Life Star 1,” the robotics lab serves to couple our Pharma.AI backbone, with its full suite of generative AI applications, with comprehensive wet lab capabilities to automate a broad spectrum of drug R&D workstreams, reduce experimental and human bias and aid with decision-making. The combination of the robotics laboratory with our generative AI platform has the potential to enhance our internal drug discovery efforts, particularly in the areas of target validation, analysis of target biology and biomarkers, indication selection, combination strategy analysis and boost our translational medicine capabilities.

As a next generation robotics lab, the Life Star 1’s objective is to phase out human intervention from the drug discovery process to reduce experimental errors, human bias and other possible issues. Compared to earlier generation robotics laboratories, the Life Star 1 endeavors to minimize human intervention from the decision-making process. The generative AI-enabled Life Star 1 is able to automate target selection, experimental design and execution of experiments to collect experimental data to generate and test disease hypotheses and further validate and train our AI models. The automation of our robotics lab eliminates human target selection bias and opens up the potential for more efficient discovery of novel drugs and treatments. We envision the Life Star 1 as the first of many, and we will work to optimize its design to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs.

Life Star 1’s modularity enables new capabilities such as new drug discovery methods to be progressively introduced. This would bolster our internal development capabilities while encouraging acceptance and adoption. At the same time, the template-based nature of the lab design allows us to
iteratively optimize and improve upon the lab’s cost-effectiveness and presents an attractive package solution for research institutions worldwide. Furthermore, as each Life Star 1 will be equipped with the full complement of hardware and software solutions on-site, the processing of all patient data can be done on-location, reducing data privacy risks.

We launched the Life Star 1 laboratory in Suzhou, China in December 2022 with a GFA of 1,665 sq.m. The robotics lab is equipped with state-of-the-art instruments including next-generation sequencers, cell incubators, cell analyzers, automated liquid handlers, echo liquid handlers, imaging systems, high content analysis platforms, automatic guided vehicle (“AGV”) and robotic arms. It and is designed to further improve the efficiency and capability of our internal wet lab experimentation and boost data generation to improve our Pharma.AI platform.

MATERIAL COLLABORATION AND LICENSING ARRANGEMENTS

Collaboration with Fosun

In November 2021, we entered into a Drug Discovery and Development Collaboration Agreement (as amended and supplemented from time to time, “Fosun Agreement”), with Fosun. Fosun is an Independent Third Party to us and is engaged in the discovery, development and commercialization of therapeutic products. The Fosun Agreement engages us to provide certain services for a series of drug discovery and development programs and establishes collaboration with Fosun on a QPCTL-related development program, in each case, to apply our expertise and technology to the design, discovery, optimization and development of small molecule compounds that directly bind to and modulate certain biological targets in humans.

Under the Fosun Agreement, a joint steering committee (“JSC”), composed of equal members appointed by each party, oversees the parties’ collaboration. Decisions of the JSC are made by a simple majority of the members present with each member of the JSC having a single vote. In the event that the JSC is unable to reach a consensus, the disputed matter shall be referred to the senior executives of Fosun and us to resolve. If the disputed matter is not resolved, then the dispute shall be subject to arbitration.

Drug Discovery and Development Programs

Under the Fosun Agreement, we agreed to deploy our technology and expertise to conduct up to four drug discovery and development programs (as may be adjusted according to the Fosun Agreement, each a “Discovery Program”) for discovery targets jointly determined by the parties. We are responsible for carrying out such Discovery Programs and generating compounds that meet pre-specified criteria according to the discovery plans approved by the JSC. Fosun has agreed to pay an aggregate project initiation fee of up to US$6.0 million at US$1.5 million per Discovery Program. In addition, Fosun will make to us, on a Discovery Program-by-Discovery program basis, additional payments upon the completion of certain R&D and regulatory approval milestones. In aggregate, we are entitled to receive up to US$24 million, not including fees or reimbursements due to us for the creation of a substitute discovery program, in consideration for our performance relating to the Discovery Programs. As of the Latest Practicable Date, we received a total payment of US$6.0 million from Fosun for the Discovery Programs.

QPCTL Project

Under the Fosun Agreement, we also agreed to work with Fosun on the discovery and development of compounds for the drug target QPCTL through the completion of Phase I trial, for which we take the leading role. We and Fosun will share on an equal basis all research and development costs within the agreed budget through the completion of Phase I trial.

With respect to the QPCTL program, Fosun has agreed to make an upfront payment of US$7.0 million in project initiation fee. In addition, Fosun agreed to pay us additional fees upon the achievement of certain
R&D, clinical trial and regulatory approval milestones. In aggregate, we are entitled to receive up to US$58.0 million in consideration for our performance relating to the QPCTL program. As of the Latest Practicable Date, we received a total payment of US$10.3 million from Fosun for the QPCTL program.

In the event that Fosun pays the relevant option exercise fees, we and Fosun agree to negotiate and enter into a separate agreement further specifying each party’s rights and responsibilities regarding the further development and commercialization of product candidates. Fosun and we will equally share the net profit/losses derived or incurred from the QPCTL project until either party elects to opt out of the QPCTL project.

We granted Fosun under the Fosun Agreement a non-exclusive, non-transferable, non-sublicensable and royalty-free license to our platform technology and other relevant intellectual property solely for the purpose of evaluating the progress of the drug discovery programs and the overall quality of the candidate molecules. At the same time, Fosun granted us a non-exclusive, royalty-free and worldwide license to Fosun’s relevant intellectual property solely for the purpose of carrying out our responsibilities under the Fosun Agreement. Each party owns an equal, undivided interest in any intellectual property that results from the collaboration of the QPCTL project. For the other drug discovery and development programs, Fosun is the sole owner of any intellectual property that results from those drug discovery and development programs, provided that the applicable project initiation fees are made. For the QPCTL project, Fosun will analyze and review the Phase I results, and if Fosun recognizes the results of the QPCTL Phase I trial, as evidenced by a written notice, and decides not to proceed with the Phase II trial based on the Phase I trial results, and such termination is not due to our breach of the agreement with Fosun, all intellectual property developed by either party in the conduct of the QPCTL project will be owned exclusively by us.

Finally, either party may terminate the Fosun Agreement for certain causes, including upon a material and uncured breach of the Fosun Agreement or insolvency by the other party. The Fosun Agreement may be terminated in part on a product-by-product or region-by-region basis upon the occurrence of material safety issues or clinical hold. The Fosun Agreement may be terminated in its entirety or on a Discovery Program-by-Discovery Program basis upon mutual agreement. In addition, Fosun is entitled to terminate the Fosun Agreement on a Discovery Program-by-Discovery Program basis or in its entirety upon prior written notice.

Collaboration with Sanofi

In October 2022, we entered into a Collaboration and License Agreement ("Sanofi Agreement"), with Genzyme Corporation, a wholly owned subsidiary of Sanofi S.A., a French multinational pharmaceutical and healthcare company listed in both Euronext Paris and Nasdaq stock markets ("Sanofi"). Sanofi is an Independent Third Party to us.

Under the Sanofi Agreement, Sanofi and we shall collaborate to carry out a research program to accelerate the identification of development candidates toward each collaboration target, including the conduct of research activities in accordance with the research plan for each collaboration target. A Joint Research Committee ("JRC"), composed of equal representatives appointed by each party, will oversee and coordinate the collaboration between the parties, with Sanofi having final decision-making authority with respect to all matters within the responsibilities of the JRC (subject to certain enumerated limitations to such authority). The Sanofi Agreement identifies two first collaboration targets and gives Sanofi the right to designate up to four additional collaboration targets and to substitute any collaboration target under certain conditions upon notice to us via the JRC. In addition, Sanofi may designate up to five targets as reserved targets for a specified period. During this period, we will not conduct research, development, manufacturing or commercialization activities or engage in discussions or enter into any agreement with any third party with respect to the reserved targets. This exclusivity obligation also applies to each collaboration target or compound targeted to such collaboration target for the duration of the royalty term.

Once a collaboration target is designated, we shall prepare a research plan for approval by the JRC. We will provide written reports and supporting data and information to Sanofi on compounds that meet
pre-specified criteria relating to the collaboration targets. Sanofi will have the right to perform, at Sanofi’s cost, chemistry, manufacturing and control activities and, as applicable, other research activities under the research plan, and shall notify us regarding whether Sanofi elects to designate any research compound to be progressed to clinical drug development activities. Sanofi will have the sole and exclusive right to control all clinical drug development activities and any regulatory matters, including any filings, correspondence and communication of regulatory materials with regulatory authorities, and have the exclusive right to commercialize and have exclusive control over the commercialization of the compounds.

Under the Sanofi Agreement, we grant to Sanofi an exclusive, irrevocable, non-transferable, worldwide license, with the right to grant sublicenses through multiple tiers, under all our intellectual property rights prior to or independently of the Sanofi Agreement (collectively, the “Insilico Background IP”) that are necessary or useful for the research, development, manufacture or commercialization of compounds or products. We also grant to Sanofi a non-exclusive, perpetual, irrevocable, non-transferable, worldwide license, with the right to grant sublicenses through multiple tiers, under Insilico Background IP (with certain exceptions) to the extent necessary to exploit all intellectual property rights arising out of any research program (collectively, the “Sanofi Foreground IP”), other than intellectual property rights arising out of a research program that does not incorporate or arise from Sanofi’s intellectual property rights prior to or independently of the Sanofi Agreement and are directed to generic improvements to our Pharma.AI Platform (collectively, the “Insilico Foreground IP”). Sanofi grants to us a non-exclusive, non-sublicensable, royalty-free, worldwide license, under Sanofi’s intellectual property rights that are necessary or useful for Sanofi to manufacture and further scale-up the manufacturing process of the compounds or products shall be transferred to Sanofi in accordance with the Sanofi Agreement.

We will own all Insilico Foreground IP. Sanofi will own all Sanofi Foreground IP. In addition, certain know-how that are necessary or useful for Sanofi to manufacture and further scale-up the manufacturing process of the compounds or products shall be transferred to Sanofi in accordance with the Sanofi Agreement.

Under the Sanofi Agreement, Sanofi has agreed to make various payments to us, including but not limited to, an upfront payment, milestone payments and royalty payments. Additionally, Sanofi has agreed to make to us mid-single to low double-digit tiered royalties for any products developed. Sanofi shall pay us an aggregate upfront and target nomination fees of up to US$21.5 million for up to six targets. Sanofi will make additional payments to us upon the achievement of various research, development and sales milestones. These payments could total up to US$1.2 billion, comprising up to US$111.0 million for research milestones, up to US$492.0 million for development and regulatory milestones and up to US$600.0 million for sales milestones. In addition, upon the achievement of specific preset thresholds for a product’s annual net sales, Sanofi shall make royalty payments to us calculated as a certain percentage of that product’s annual net sales. The royalty rate increases as the product’s annual net sales increases, with the rate ranging from single-digit percentages to low double-digit percentages. As of the Latest Practicable Date, we received a total upfront and milestone payments of US$12.5 million from Sanofi.

The Sanofi Agreement will remain in effect, on a collaboration target-by-collaboration target basis, through the date on which neither party has any obligation to the other under the Sanofi Agreement with respect to the collaboration target. The Sanofi Agreement may be terminated by either party for the other party’s uncured material breach or insolvency event. In addition, Sanofi shall have the right to terminate the Sanofi Agreement for safety reasons, for certain shelving events or at will.

RESEARCH AND DEVELOPMENT

As an AI-driven biotechnology company with a mission to accelerate drug discovery and development, we place a strong emphasis on our R&D processes. Leveraging the unique advantages of our generative AI-driven platform, we are targeting drug development opportunities that address high unmet need. As of the Latest Practicable Date, we have efficiently built a diversified pipeline consisting of 31 programs for 29
drug with a therapeutic footprint in fibrosis, oncology, immunology and other therapeutic areas. Our Core Product, ISM001-055, is a small molecule drug candidate primarily for the potential treatment of IPF. It has already demonstrated a preliminary safety and efficacy profile in both \textit{in vitro} cell and \textit{in vivo} animal models in preclinical studies and in healthy volunteers in clinical studies. ISM3091 is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with HRD. We filed an IND application in both the U.S. and China and have received approval by the FDA in April 2023. ISM3312 is a small molecule drug candidate in clinical trial for the potential treatment of COVID-19. It had broad antiviral activity against other coronavirus and potential clinical drug resistances. We received the IND approval in February 2023 and initiated a Phase I clinical trial in China in March 2023. We plan to initiate a multicenter Phase I clinical trial in the U.S. and China in the second half of 2023. Our other products include drug candidates in preclinical and early discovery stages. In 2022, we nominated nine preclinical candidates and were able to generate revenues to support internal R&D. In addition, we collaborate with CRO partners to augment our in-house R&D.

Research and Development Team

As of the Latest Practicable Date, we had a total of 318 employees and consultants and 255 of them are professionals specializing in R&D, with the vast majority holding a master’s or doctorate degree in a relevant field.

Our R&D team is uniquely comprised of two teams specializing in AI-platform development and therapeutics pipeline development. Our AI-platform development team is headed by our CEO, Mr. Alex Zhavoronkov, Ph.D., who is a leading expert in the field of AI drug discovery and aging research, and includes the AI and Chemo- and Bioinformatics teams. The AI-platform development team supplies the expertise for the application of our AI-platform toward the identification and validation of novel targets and molecules and helps us to continually refine and improve our algorithms. Our therapeutics pipeline development team is headed by our co-CEO, Mr. Feng Ren, Ph.D., a pharmaceutical industry veteran, and includes the Drug Discovery and Clinical Operations & CRO Management teams. The therapeutics pipeline development team streamlines and guides the drug discovery process and manages relationships with CROs. We have set up an expert CRO management system focused on speed, quality and accuracy with direct local supervision, with dedicated managers for over 40 CROs and CDMOs. Our dual CEO structure allows us to develop specialized expertise on both the AI drug discovery front and the therapeutic pipeline development front, creating the enhanced efficiencies that have allowed us to rapidly expand our product pipeline. The two teams operate synergistically with the AI-platform development team to deliver promising novel target ID, novel molecules and synthetic route plans with promising forecasted clinical trial outcomes to the therapeutics pipeline development team. In return, the therapeutics pipeline development team feeds back experimental and expert review data to further bolster our databases and aid the AI-platform development team to refine our algorithms.

Preclinical and IND-Enabling Development

Subsequent to PCC nomination, our R&D team conducts a series of preclinical and IND-enabling studies. These studies include compound synthesis, enzymatic assays, toxicity testing, PK and pharmacometric assessments, safety testing, absorption, distribution, metabolism and excretion ("ADME") testing and efficacy evaluation. In addition, our R&D team is responsible for regulatory preparations such as chemistry, manufacturing and controls ("CMC") policy development, investigator-initiated trial support, IND package preparation, site inspection and submission of registration samples.

Robotics Laboratory

Our next generation robotics laboratory combines automation technology, laboratory management system and AI technology to create a fully automated laboratory integrating cell culture, compound management, high-throughput screening, high-comnotation imaging and other functions. The platform provides three capabilities: (i) target discovery and target verification, including synthetic lethality target
discovery platform, phenotype-based target discovery platform and age-related disease target discovery platform; (ii) drug development and translational medicine, including target validation and acceleration of certain preclinical activities; and (iii) algorithm verification, by generating results predicted by multiple omics data verification algorithms.

Clinical Development Team

Our clinical development team is led by Dr. Sujata Rao, our Chief Medical Officer, a seasoned executive physician with over 30 years of clinical development and medical affairs experience in executive roles and operating experience at biopharmaceutical companies. As of the Latest Practicable Date, our clinical development team consisted of 20 employees, including 17 with master’s or doctoral degrees. Our clinical development team’s responsibilities include implementation of our clinical development strategy, including the design of clinical development plans, the establishment of quality assurance and control systems, the execution of clinical trial operations, the performance of data analysis and programming and the procurement of clinical supplies.

Pharma.AI Platform

Our AI-driven Pharma.AI platform, consisting of Biology42, Generative Chemistry and Medicine 42, is designed to be integrated across the drug discovery and development process to efficiently select indications, identify novel drug targets, design \textit{de novo} molecules against both novel and known targets and optimize clinical development. Our R&D team utilizes our PandaOmics platform’s target identification and business intelligence capabilities to discover novel targets for disease indications with attractive market potential. They then utilize the generative-AI capabilities of our Generative Chemistry application to generate small molecules with good physicochemical properties targeting these novel targets. Finally, the InClinico application is used to assist in optimize clinical trial design using data from prior clinical trials and clinical trial protocols.

Our collective curated datasets currently contain over 100 million disease and target associations, which has allowed us to train the AI models embedded in InClinico using approximately 3,800 unique small molecule drugs or drug candidates, 1,350 unique indications and 10,900 unique drug-indication pairs, among others. We plan to continue to expand our repository of datasets at a rapid pace, including with the data generated through the development of our pipeline. In addition, we plan to supplement this internal data with data provided by our collaborators and customers, which will allow us to expand the datasets further and more quickly for our platforms.

Our own Generative Chemistry benefits from our strong foundation in generative AI. The over 40 AI models used to optimize the properties of generated molecular structures were built through an extensive deep machine learning process. More than 300 AI models were developed, and through testing and validation, the number was narrowed down to just over 40 validated AI models for use by Generative Chemistry. This method has the advantage of producing more accurate generative chemistry models and is a key differentiator between Generative Chemistry and its competitors, who would require many more resources and much more time to generate such a large number of accurate, validated models.

We believe our differentiated focus on achieving an end-to-end solution provides significant synergies across the entire drug discovery and development process. We plan to further integrate new synergistic technologies that could bolster our end-to-end drug development process, including AI-driven robotics laboratories and innovative drug delivery methods. We have pioneered the applications of generative AI in drug discovery with our early peer-reviewed research papers in generative chemistry and generative biology. We have been applying transformer networks several years to enhance data annotation and curation processes and build predictive and generative models in chemistry, biology and clinical developments. Our research interests also focus on the area of quantum computing. We have been developing quantum computing specific generative AI models for small molecule generation tasks and exploring additional drug discovery applications.
Clinical Development

Upon obtaining the IND approval from the NMPA, the FDA and Medsafe, our clinical development team, together with reputable CROs and CDMOs in New Zealand, China and the U.S., conducted numerous activities for the ongoing and planned clinical trials, including clinical development strategy, market value assessments, trial proposal and protocol designs, including determining study objective and endpoints, trial preparation, site selection, patient recruitment, clinical manufacturing, medical/safety monitoring, site monitoring, data collection/verification and statistical analysis.

Clinical Trial Design and Implementation

Our clinical development team is responsible for trial design and execution and manages clinical procedures and provides oversight of our clinical trials, with the assistance of CROs and CDMOs. Our rapid clinical trial advancements are driven by our (i) extensive clinical trial development experience, (ii) well-designed clinical trial protocols, (iii) multi-center clinical trial strategy in close collaboration with clinical trial sites (i.e., hospitals) and corresponding principal investigators (“PIs”), and (iv) efficient and effective clinical trial execution.

As the sponsor of our clinical trials, we are responsible for initiating and funding the trials, formulating clinical trial protocols, managing clinical trial implementation across multiple clinical trial sites in adherence to clinical trial protocols. Our clinical development team designs and formulates clinical trial protocols and prepares investigators’ brochures based on the differentiated profile and target patient population of our drug candidates and clinical practice in New Zealand, China and the U.S. to maximize our drug candidates’ clinical potential and to accelerate the regulatory approval process. Clinical trial protocols usually include background and basic information, trial objectives and purpose, trial design and implementation approach.

Our clinical development team is also responsible for clinical trial site selection. We select clinical trial sites based on multiple factors. We have entered into a cooperative relationship with numerous clinical trial sites (i.e., hospitals) and PIs to support our clinical trials at different stages. We believe that these institutions’ size and geographic diversity provide us with a significant advantage in implementing large-scale clinical trials and enable us to conduct multiple clinical trials concurrently.

During the Track Record Period, we cooperated with leading PIs to conduct the clinical trials of our drug candidates. To the best of our knowledge, none of them has any prior or existing relationships with us, our executive Directors, shareholders, senior management or any of their respective associates. As the sponsor of our clinical trials, we take primary responsibility for the design and execution of the entire trial. Our clinical trial team formulates trial protocols and selects and engages trial sites and PIs to conduct clinical trials. The PIs are primary responsible for conducting site-level clinical research activities according to our designed trial protocols and in accordance with laws, regulations, and the good clinical practice (“GCP”) Guideline, a quality standard for overall clinical trial conduct. PIs regularly communicate with us on the trial progress and observations to evaluate the efficacy and safety of our drug candidates. Each clinical trial has a leading PI with primary responsibility to ensure compliance with clinical trial protocol and GCP over the entire trial. Through the clinical trial process and with the assistance of CROs and CDMOs, we closely monitor trial-related activities, perform site audits, conduct an ongoing risk assessment and safety evaluation, review protocol deviations, and review clinical data to protect the safety of volunteers and ensure the integrity of trial results. We collect and analyze trial data after the last participant completes the last visit to prepare documentation for regulatory approvals of our drug candidates.

As advised by Frost & Sullivan, the roles and responsibilities of the PIs in our clinical trials are in line with the common industry practices. In accordance with the laws and regulations, we enter into agreements with the hospitals that the PIs belong to and settle the fees and expenses with those hospitals through CROs. To avoid any potential conflicts of interest, we do not make any payment to PIs directly. Based on the view of Frost & Sullivan, such clinical trials have been conducted in line with the common industry practice.
Clinical Translational Research

We conduct clinical translational research to assess the effectiveness and safety of treatment, evaluate different ways to customize therapies and improve personalized medicine guidelines using the new data generated. These insights help to further guide us toward new directions in novel drug discovery and position us to efficiently obtain proof of concept results. We also maintain extensive collaboration with physicians, scientists and key opinion leaders, and further develop products based on their clinical feedback to our drug candidates, whether in terms of indications or potential treatment combinations. We have established a rich network of top-tier CROs and CDMOs, research institutions and hospitals to facilitate efficient progress of our drug candidates into clinical trials.

Collaboration with CROs and CDMOs

We collaborate with CROs (including SMOs) and CDMOs (including CMOs) to conduct and support our preclinical and clinical studies in line with industry practice. We select our CROs and CDMOs by weighing various factors, such as their qualifications, academic and professional experience, industry reputation and service fees. We maintained a cooperation relationship with over 40 CROs and CDMOs. To the best of our knowledge, except for CRO A, none of them has any past or present relationships with us, our Directors, shareholders, senior management or any of their respective associates.

Our preclinical CRO and CDMOs partners mainly provide us with services related to compound synthesis, lab testing, preclinical toxicity and safety evaluations, such as animal studies, of our drug candidates in accordance with our study design and under our supervision. Our clinical CRO partners provide us with an array of services necessary for complex clinical trials in accordance with our trial design and under our supervision. CROs generally provide a comprehensive suite of services to assist us with implementing and managing clinical trials, including trial preparation, source data verification, clinical safety management, data management, and report preparation. We choose to engage a CRO or CDMO based on the complexity, unique needs and workload of a specific trial. Our CDMO partners are responsible for manufacturing our required products in accordance with certain product specifications, in compliance with current Good Manufacturing Practice ("cGMP") requirements (where applicable), our quality standards and other applicable laws and regulations. We closely monitor the work of our CROs and CDMOs and provide specific directions to ensure the quality and efficiency of the trial execution. This approach allows us to leverage the experience of our in-house team to better focus on critical clinical trial elements, such as trial design, data analysis and decision making. All studies of our drug candidates on humans are conducted in compliance with the applicable laws, regulations and in line with the industry standards. We believe our ability to conduct and work closely with CROs and CDMOs to conduct preclinical studies and clinical trials enables us to shorten the time required for drug development by generating the requisite data reliably and efficiently.

The following table sets forth the costs attributable to five largest CROs or CDMO in terms of total attributable costs (in descending order) during the Track Record Period.

<table>
<thead>
<tr>
<th>Costs attributable to each major CRO/CDMO</th>
<th>Background</th>
<th>Year ended December 31</th>
<th>During the Track Record Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>CRO A Preclinical testing and compound synthesis, and manufacturing service</td>
<td>12,899</td>
<td>20,611</td>
<td>33,510</td>
</tr>
<tr>
<td>CRO B Preclinical testing and compound synthesis</td>
<td>4,216</td>
<td>9,018</td>
<td>13,234</td>
</tr>
<tr>
<td>CRO C Clinical Trial related service</td>
<td>–</td>
<td>4,054</td>
<td>4,054</td>
</tr>
<tr>
<td>CRO D Preclinical testing</td>
<td>2,081</td>
<td>870</td>
<td>2,951</td>
</tr>
<tr>
<td>CDMO A Chemical Manufacturing and Control</td>
<td>1</td>
<td>2,760</td>
<td>2,761</td>
</tr>
</tbody>
</table>
REGULATORY AFFAIRS

Our regulatory affairs team is responsible for the regulatory approval process of our drug candidates, including assembling application dossiers for IND and NDA, addressing inquiries from relevant regulatory agencies and monitoring our R&D projects to ensure their compliance with relevant laws and regulations. Our regulatory affairs team manages the regulatory submission process for our drug candidates, which requires filings to be made to and approved by the relevant authorities before clinical trials can be initiated. The regulatory affairs team prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting CMC and GMP readiness assessments for our drug candidates. Our regulatory affairs team possess extensive knowledge and experience with regard to regulatory filings in the U.S., China and other jurisdictions. In addition, our regulatory affairs team work with consultants who are experienced in obtaining drug approvals. With our presence and expertise in the U.S., China and other jurisdictions, we can design our clinical trials to maximize operational efficiency.

BUSINESS DEVELOPMENT AND COMMERCIALIZATION

To support our long-term business strategy and to fulfill the potential of our assets, our corporate and business development group advances a comprehensive approach to continuously assess partnering opportunities with various global and regional stakeholders in the biopharmaceutical and biotech industry. Our major collaborations include ones with Fosun and Sanofi For additional information, see “— Material Collaboration and Licensing Arrangements.” Our software licensing business involves the licensing out of the three components of our Pharma.AI platform: PandaOmics (target discovery), Generative Chemistry (small molecule generation) and inClinico (clinical trial prediction and optimization). The breadth of our AI platforms, while focused on the biopharma industry, has broader appeal. For example, Chemistry42’s small molecule generation capabilities have been applied to research and development in agricultural science while inClinico has the potential to be a valuable tool for the investment community to assess the likelihood of success of clinical trials. We have invested substantially to create a rich drug discovery and development pipeline targeting areas of unmet need spanning oncology, immunology, fibrosis and other therapeutic areas. A typical pipeline product advances to the IND-enabling stage within 12 months, which is considerably faster than the industry average using traditional methods for drug development of 4.5 years. As more of our pipeline assets mature, our asset out-licensing offering is becoming increasingly attractive to pharmaceutical companies for licensing and commercialization, potentially providing us with significant monetization opportunities.

Our R&D team collaborates closely with our corporate and business development group to evaluate business opportunities (including out-licensing assets and strategic partnerships) and gather competitive intelligence and make decisions about portfolio prioritization and clinical positioning of our programs. Our unique, dual CEO structure provides added oversight and specialized focus to the R&D function and allows us to continue to invest in innovation, while meeting our business development objectives.

As of the Latest Practicable Date, our Core Product is undergoing clinical studies and has not been commercialized. As such, we have not formulated any definitive pricing policy for our Core Product yet. As our Core Product progresses towards potential approval and commercialization in the future, we or a partner will determine pricing based on a variety of factors such as our Core Product’s clinical profile and competitive pricing from other relevant marketed drugs. We or a partner may conduct extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our Core Product and may take into account various factors such as feedback collected from these parties, our production costs, the differences in safety and efficacy profiles between our Core Product and competing products, the estimated demand for our Core Product and the clinical value to patients. For pricing in China, we or partner may determine pricing based on the affordability to Chinese patients and the price of comparable products. The pricing in overseas markets may vary according to the specific conditions in each territory, including, among other things, the pricing of multinational competitors in the same market.
BUSINESS

We or our partners may also consider our Core Product’ inclusion into the NRDL and other national or local governments’ reimbursement programs. The relevant government authorities determine inclusion into the NRDL and are beyond our control. Should we or our partners fail to have our Core Product included in the NRDL after commercialization or secure lower-than-expected pricing, this could negatively impact sales due to weaker reimbursement coverage and pricing and greater out-of-pocket costs for patients.

We have a proven track record of successful partnering with global pharmaceutical and biotechnology companies across our platform and pipeline, and we continue to manage these collaborations and build upon these business relationships. As a company with global operations, we understand the importance of a far-reaching network to drive our business strategy on a global basis. Therefore, we continue to engage with numerous external stakeholders to drive growth in the business.

INTELLECTUAL PROPERTY

Intellectual property rights are central to the success of our business. Our commercial future will depend, in part, on our ability to acquire and protect our intellectual property rights for commercially significant technologies, inventions and know-how. This could involve the acquisition of new patents, the defense of existing patents, and the protection of our trade secrets. We will also have to operate without infringing, misappropriating, or otherwise violating third parties’ valid, enforceable intellectual property rights.

As of the Latest Practicable Date, we held 259 patents and patent applications. The following table sets forth an overview of our material granted patents and filed patent applications in connection with our clinical and preclinical drug candidates as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Product</th>
<th>Name of patent(1)</th>
<th>Jurisdiction</th>
<th>Status</th>
<th>Patent expiration(2)</th>
<th>Market commercial rights of the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM001-055</td>
<td>Kinase Inhibitors</td>
<td>U.S., EPO, China, Japan, Hong Kong, Taiwan</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Methods of Inhibiting Kinases</td>
<td>U.S., Taiwan</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Analogs for The Treatment of Diseases</td>
<td>U.S.</td>
<td>granted</td>
<td>2042/2/23</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PCT, Taiwan, Argentina, U.S.</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Analogs for The Treatment of Diseases</td>
<td>PCT</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td>Methods of Manufacturing Kinase Inhibitors</td>
<td>PCT</td>
<td>pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td>ISM8207</td>
<td>Beta-Lactam Derivatives for the Potential Treatment of Diseases</td>
<td>PCT, Taiwan, U.S.</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td>Product</td>
<td>Name of patent(1)</td>
<td>Jurisdiction</td>
<td>Status</td>
<td>Patent expiration(2)</td>
<td>Market commercial rights of the Group</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------</td>
<td>----------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>ISM3312</td>
<td>SARS-COV-2 Inhibitors Having Covalent Modifications for Treating Coronavirus Infections</td>
<td>U.S., EPO, China, Japan, Taiwan, Hong Kong</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PCT, U.S., Taiwan, Argentina, Pakistan, Venezuela, Uruguay, Paraguay</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td>ISM3091</td>
<td>Small Molecule Inhibitors of Ubiquitin Specific Protease 1 (USP1) and Uses Thereof Formulations of Small Molecule Inhibitors of Ubiquitin Specific Protease 1 (USP1) and Uses Thereof Crystalline Ubiquitin Specific Protease 1 (USP1) Inhibitor and Uses Thereof</td>
<td>PCT, U.S., Taiwan, Argentina</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PCT</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td>ISM5411 and ISM4808</td>
<td>Prolyl Hydroxylase Domain-Containing Protein (PHD) Inhibitors and Uses Thereof</td>
<td>PCT, U.S., Taiwan, Argentina</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
</tbody>
</table>
### BUSINESS

<table>
<thead>
<tr>
<th>Product</th>
<th>Name of patent(1)</th>
<th>Jurisdiction</th>
<th>Status</th>
<th>Patent expiration(2)</th>
<th>Market commercial rights of the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prolyl Hydroxylase Domain-Containing Protein (PHD) Inhibitor Crystalline Forms and Uses Thereof</td>
<td></td>
<td>PCT</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
<tr>
<td>ISM3412</td>
<td>Methionine Adenosyltransferase 2a (MAT2A) Inhibitors and Uses Thereof</td>
<td>PCT, Taiwan, Argentina</td>
<td>Pending</td>
<td>–</td>
<td>Full ownership</td>
</tr>
</tbody>
</table>

**Abbreviations:** PCT = Patent Cooperation Treaty; EPO = European Patent Office

**Notes:**

1. Unless otherwise indicated, the patent for applications within the same product is the same and is therefore disclosed once.

2. The patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.

The term of individual patents may vary based on the countries in which they are obtained. In most countries and regions in which we file patent applications, the term of an issued patent is generally 10 to 20 years from the filing date of the formal patent application on which the patent is based in the applicable country or region. In the U.S., a patent’s term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office (“USPTO”), in excess of a patent applicant’s delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date.

The actual protection provided by a patent varies on a claim-by-claim and country-by-country basis and depends upon various factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country or region, and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our owned pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secrets and confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisors and contractors, and invention assignment agreements with our employees and consultants. We have entered into confidentiality agreements and non-competition agreements with our senior management, certain key members of our R&D team, and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ each employee, contains an assignment clause. We own all the rights to all inventions, technology, know-how, and trade secrets derived during such employees’ work.
These agreements may not sufficiently protect our trade secrets and confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secrets and confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secrets and confidential information may become known or be independently developed by a third party or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or obtain or use information that we regard as proprietary without our consent. As a result, we may not sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises and the physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See “Risk Factors — Risks Related to Our Intellectual Property Rights” to describe risks related to our intellectual property.

In addition, ISM001-055 received the orphan drug designation from the FDA in February 2023. The orphan drug designation qualifies sponsors for incentives including, among others, potential seven years of market exclusivity after approval of ISM001-055.

We conduct our business under the brand name “Insilico Medicine” and “英矽智能.” As of the Latest Practicable Date, we held 70 trademarks and trademark applications and five registered software copyrights. We are also the registered owner of 56 domain names.

As at the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

CUSTOMERS

During the Track Record Period, our customers are pharmaceutical/biotech companies. The total revenue generated from our five largest customers amounted to US$2.5 million and US$27.3 million in 2021 and 2022, respectively. Our five largest customers in 2021 and 2022 together accounted for 53.2% and 90.6%, respectively, of our total revenues during those periods, and our largest customer accounted for 14.3% and 56.6%, respectively, of our total revenues during those periods. We normally grant a credit term of 10 days to 60 days to our customers. None of our five largest customers is a supplier to us.

To the best of our knowledge, all our five largest customers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers during the Track Record Period.
The tables below set forth certain information about our five largest customers in terms of revenue (in descending order) generated in 2022 and 2021, respectively. Our fifth and sixth largest customers in 2021 shared identical sales amounts and percentages of revenues.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Years of relationship</th>
<th>Background and business activities</th>
<th>Product sold</th>
<th>Credit term</th>
<th>Sales amount US$'000</th>
<th>Percentage of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer A</td>
<td>One</td>
<td>A global innovation-driven pharmaceutical and healthcare industry group, operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare program.</td>
<td>Drug discovery services</td>
<td>30 days</td>
<td>17,066</td>
<td>56.6</td>
</tr>
<tr>
<td>Customer B</td>
<td>One</td>
<td>A leading global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions.</td>
<td>Drug discovery services</td>
<td>60 days</td>
<td>8,333</td>
<td>27.6</td>
</tr>
<tr>
<td>Customer C</td>
<td>Two</td>
<td>One of the world’s leading agriculture innovation companies.</td>
<td>Drug discovery services</td>
<td>60 days</td>
<td>766</td>
<td>2.5</td>
</tr>
<tr>
<td>Customer D</td>
<td>Two</td>
<td>An innovation-driven biomedical company, commit to developing first-in-class drugs targeting major human diseases such as cancer and coronavirus diseases.</td>
<td>Drug discovery services</td>
<td>10 business days</td>
<td>596</td>
<td>2.0</td>
</tr>
<tr>
<td>Customer E</td>
<td>Two</td>
<td>A clinical-stage biotechnology company focusing on cutting-edge therapies.</td>
<td>Drug discovery services</td>
<td>10 business days</td>
<td>559</td>
<td>1.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer</th>
<th>Years of relationship</th>
<th>Background and business activities</th>
<th>Product sold</th>
<th>Credit term</th>
<th>Sales amount US$'000</th>
<th>Percentage of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer C</td>
<td>Two</td>
<td>One of the world’s leading agriculture innovation companies.</td>
<td>Drug discovery services</td>
<td>60 days</td>
<td>674</td>
<td>14.3</td>
</tr>
<tr>
<td>Customer E</td>
<td>Two</td>
<td>A clinical-stage biotechnology company focusing on cutting-edge therapies.</td>
<td>Drug discovery services</td>
<td>10 business days</td>
<td>585</td>
<td>12.4</td>
</tr>
<tr>
<td>Customer F</td>
<td>Three</td>
<td>A life sciences company developing therapies to modify aging and increase healthy human lifespan.</td>
<td>Drug discovery services</td>
<td>10 business days</td>
<td>500</td>
<td>10.6</td>
</tr>
<tr>
<td>Customer G</td>
<td>Two</td>
<td>A biotechnology company focusing on the next generation of small molecular drugs in the field of cancer and central nervous system.</td>
<td>Drug discovery services</td>
<td>30 days</td>
<td>397</td>
<td>8.4</td>
</tr>
<tr>
<td>Customer H/I</td>
<td>Two/Two</td>
<td>A global biopharma company, inspired by the needs of people living with severe diseases; A leading science and technology company, operates across life science, healthcare and electronics.</td>
<td>Software solution services/Software solution services</td>
<td>60 days/60 days</td>
<td>350/350</td>
<td>7.4/7.4</td>
</tr>
</tbody>
</table>
SUPPLIERS

During the Track Record Period, we primarily synthesize and test our drug candidates from industry-leading and highly reputable CROs. Our purchases mainly include third-party contracting services for preclinical evaluation and clinical trials of our drug candidates, regents and consumables, machines and equipment and professional service. The purchases (including assets and services but excluding auditor services) from our five largest suppliers in the aggregate amounted to US$21.2 million and US$42.6 million in 2021 and 2022, respectively. In 2021 and 2022, our five largest suppliers in the aggregate accounted for 58.2% and 49.5%, respectively, of our total purchases during those periods, and our largest supplier accounted for 35.5% and 24.0%, respectively, of our total purchases (including value-added tax) during those periods.

CRO A is a related party to us, because its affiliates owns more than 5% of our issued share capital. Except CRO A, to the best of our knowledge, all our other four largest suppliers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

In addition, we believe that adequate alternative sources for such supplies exist, and we have developed alternative sourcing strategies for these supplies. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. Other than the agreements with certain CROs, we order supplies and services on a purchase order basis and do not enter long-term dedicated capacity or minimum supply arrangements. We generally have credit periods of 30 days.

Below is a summary of the key terms of a typical agreement with our CROs.

- **Services.** The CRO provides us with services such as implementing a clinical research project, manufacturing products as specified in the master agreement or work order.
- **Term.** The CRO is required to perform its services according to the prescribed timeframe set out in the master agreement or a work order.
- **Payment.** We are required to make payments to the CRO according to the payment schedule agreed by the parties.
- **Confidentiality.** We and the CRO agree to keep confidential any information in relation to the performance of the master agreement.
- **Intellectual Property.** We own all intellectual property derived from the clinical research project, and we are entitled to apply patent for such intellectual properties.
The tables below set forth certain information about our five largest suppliers in terms of total purchases during the Track Record Period.

### For the year ended December 31, 2022

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Years of relationship</th>
<th>Credit term</th>
<th>Product or service supplied</th>
<th>Purchase Amount (US$'000)</th>
<th>Percentage of total purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRO A</td>
<td>Five</td>
<td>30 days</td>
<td>Preclinical testing, compound synthesis and manufacturing services</td>
<td>20,611</td>
<td>24.0</td>
</tr>
<tr>
<td>CRO B</td>
<td>Three</td>
<td>20-30 business days</td>
<td>Preclinical testing and compound synthesis</td>
<td>9,018</td>
<td>10.5</td>
</tr>
<tr>
<td>Supplier A</td>
<td>Two</td>
<td>10 business days</td>
<td>Lab equipment</td>
<td>6,169</td>
<td>7.2</td>
</tr>
<tr>
<td>CRO C</td>
<td>Two</td>
<td>30 days</td>
<td>Clinical trial related service</td>
<td>4,054</td>
<td>4.7</td>
</tr>
<tr>
<td>CDMO A</td>
<td>Two</td>
<td>60 days</td>
<td>Chemical manufacturing and Control</td>
<td>2,760</td>
<td>3.2</td>
</tr>
</tbody>
</table>

### For the year ended December 31, 2021

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Years of relationship</th>
<th>Credit term</th>
<th>Product or service supplied</th>
<th>Purchase Amount (US$'000)</th>
<th>Percentage of total purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRO A</td>
<td>Five</td>
<td>30 days</td>
<td>Preclinical testing and compound synthesis, and manufacturing service</td>
<td>12,899</td>
<td>35.5</td>
</tr>
<tr>
<td>CRO B</td>
<td>Three</td>
<td>20-30 business days</td>
<td>Preclinical testing and compound synthesis</td>
<td>4,216</td>
<td>11.6</td>
</tr>
<tr>
<td>CRO D</td>
<td>Two</td>
<td>60 days</td>
<td>Preclinical testing</td>
<td>2,081</td>
<td>5.7</td>
</tr>
<tr>
<td>Supplier B</td>
<td>Three</td>
<td>30 days</td>
<td>Legal service</td>
<td>1,372</td>
<td>3.8</td>
</tr>
<tr>
<td>Supplier C</td>
<td>Three</td>
<td>30 days</td>
<td>Preclinical testing and compound synthesis</td>
<td>615</td>
<td>1.7</td>
</tr>
</tbody>
</table>

### COMPETITION

Our industry is highly competitive and subject to rapid and significant change. We face fierce competition from existing drugs in the market and drug candidates under development. While we believe that our generative AI platform, comprehensive R&D capabilities (including through our access to a network of CROs and CDMOs), the unique profile of our Core Product, our flexible business model, global operational footprint and seasoned management team provide us with competitive advantages, we face potential competition from many different sources working to develop therapies targeting the same indications against which we are developing our drug candidates. These include major pharmaceutical companies, other biopharmaceutical companies, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and any new drugs that may become available in the future. For more details of the competitive landscape of each relevant market regarding our pipeline products, please see “Industry Overview” in this Document.

### INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover employee benefits liability and adverse events in clinical
trials. As of the Latest Practicable Date, our current life science liability policy covers damages that we are legally obligated to pay for bodily injury or property damage that happens in connection with the business which including preclinical services. The period of the existing life science liability insurance policy is from October 26, 2022 to October 25, 2023, retroactive date to October 26, 2021. For additional information, please refer to the section headed “Risk Factors — Risks Related to Our Operations and Financial Prospects — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources” in this Document.

We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period, we had not made or been the subject of any material insurance claims.

EMPLOYEES AND CONSULTANTS

As of the Latest Practicable Date, we had a total of 318 employees and consultants, including a total of 261 employees and consultants with the vast majority holding a master’s or doctorate degree in a relevant field. Our employees and consultants are located in various locations around the world to support our global operations, including eight at our headquarters in Hong Kong, 138 in Shanghai, 20 in Taipei, 18 in Suzhou, 15 in the U.S., 13 in Canada, 36 in the United Arab Emirates and 70 in other regions of Asia or Europe. The composition of our senior management also reflects our global focus, with the majority of our senior management located outside China. The following table sets forth the number of our employees and consultants by function as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Function</th>
<th>Number</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development</td>
<td>255</td>
<td>80.2%</td>
</tr>
<tr>
<td>General Administration</td>
<td>41</td>
<td>12.9%</td>
</tr>
<tr>
<td>Business Development and Marketing</td>
<td>22</td>
<td>6.9%</td>
</tr>
<tr>
<td>Total</td>
<td>318</td>
<td>100%</td>
</tr>
</tbody>
</table>

We enter into individual employment contracts with our employees which cover salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. We also enter into separate confidentiality and non-competition agreements with our senior management, certain key members of our R&D team, and other employees who have access to trade secrets or confidential information about our business.

To maintain our workforce’s quality, knowledge, and skill levels, we provide continuing education and training programs, including internal and external training, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and share-based compensation, particularly our key employees.

Our employees’ remuneration comprises salaries, bonuses, provident funds, social security contributions, and other welfare payments. We have made contributions and benefits to our employees pursuant to applicable laws and regulations. We believe that we have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, work stoppages, labor disputes or other actions which had a material adverse effect on our business and operations.

LAND AND PROPERTIES

As of the Latest Practicable Date, we did not hold any real property.
**BUSINESS**

The following table sets forth the details of our leased properties as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Usage</th>
<th>Location</th>
<th>GFA (sq.m)</th>
<th>Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative offices . . .</td>
<td>New York</td>
<td>N/A*</td>
<td>February 2, 2022 to February 1, 2027</td>
</tr>
<tr>
<td>Administrative offices . . .</td>
<td>Hong Kong</td>
<td>257</td>
<td>August 15, 2022 to August 14, 2025</td>
</tr>
<tr>
<td>Administrative offices . . .</td>
<td>Shanghai</td>
<td>2,282</td>
<td>(1) August 1, 2022 to July 31, 2024; (2) September 1, 2022 to October 31, 2024; (3) November 1, 2022 to October 31, 2024</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Shanghai</td>
<td>43</td>
<td>April 10, 2023 to April 9, 2024</td>
</tr>
<tr>
<td>AI-driven, automated laboratory and administrative offices . . .</td>
<td>Suzhou</td>
<td>1,665</td>
<td>July 1, 2022 to September 30, 2025</td>
</tr>
<tr>
<td>Administrative offices . . .</td>
<td>Taipei</td>
<td>454</td>
<td>July 1, 2022 to June 30, 2025</td>
</tr>
<tr>
<td>Administrative offices . . .</td>
<td>Montreal</td>
<td>234</td>
<td>October 1, 2022 to September 30, 2025</td>
</tr>
<tr>
<td>Administrative offices . . .</td>
<td>Abu Dhabi</td>
<td>552</td>
<td>(1) July 21, 2022 to July 20, 2026; (2) November 11, 2022 to July 20, 2026; (3) June 15, 2023 to July 20, 2026</td>
</tr>
</tbody>
</table>

*Note: *We utilize a co-working office in which we share the space with other tenants

We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

**Governance**

We acknowledge our responsibility in environmental protection, civil society and all levels of governance, and understand that the issues which arise from environmental, social and governance (“ESG”) may affect the sustainability of our business operations. Therefore, we established an ESG management structure that specifies the ESG roles and responsibilities of all levels of our organization.

The Board of Directors is responsible for and guides our ESG development. To promote our sustainable and healthy development, the Board of Directors incorporated the ESG strategic development, the setting and suggestions on ESG targets, the study on ESG industrial development and relevant major decisions on ESG into the responsibilities of the ESG Committee under the Board of Directors. The ESG Committee consists of five Board members. For additional information on the ESG Committee members, see “Directors and Senior Management – Corporate Governance - ESG Committee”.

For the monitoring level, we established an ESG working group to address ESG risks and formulated corresponding working rules to supervise our social responsibility and measures for sustainable development. The ESG working group is responsible for (i) integrating ESG into our strategy; (ii) overseeing, identifying, assessing and managing our potential ESG-related risks and opportunities, and deliberating on the formulation of ESG strategic plans, management structure, systems, strategies and implementation rules so as to ensure the continuous execution and implementation of our ESG policies; (iii) making guidelines for reviewing the identification and ranking of our important ESG issues; (iv) determining our key ESG issues; (v) reviewing our ESG work and internal monitoring systems, and making recommendations on their appropriateness and effectiveness; (vi) monitoring our ESG-related risks and making inquiries on and formulating corresponding measures for major issues that affect our performance of ESG-related work, and reviewing and supervising how such issues are handled; (vii) the coordination management, communication and ESG disclosure of ESG matters; (viii) reviewing our
BUSINESS

ESG-related disclosure documents, including but not limited to the annual ESG reports; (ix) providing ESG-related training and materials to the Board of Directors.

The ESG working group will also guide all key departments on ESG promoting the achievement of key ESG performance indicators and targets, implementing the ESG work within the scope of authority under the guidance of the ESG working group and reporting to the ESG Committee on significant ESG matters. We are committed to, after being [REDACTED], complying with the reporting requirements related to ESG.

We have in place a set of environmental, social and governance policies ("ESG Policy") which are in line with relevant international standards. To reduce the negative impact on the environment, we are committed to energy conservation and sustainable development. We intend to adopt governance measures which are in compliance with all ESG-related laws and regulations, and to monitor and collect ESG-related data so as to prepare our disclosure report after [REDACTED] and in accordance with the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Listing Rules in due course. We are preparing and formulating our ESG policies in accordance with the standards under Appendix 27 of the Listing Rules, which outlines, among other things, (i) establishing a green management system; (ii) strict rules on waste disposal; (iii) resources efficiency; and (iv) responses to climate change.

We believe that employees are our most valuable resource, and are committed to respecting their dignity, treating them with respect. We value employees' physical and mental health as well as well-being. We will continue to promote work-life balance and create a positive workplace for all of our employees. With regard to the issues in our employment-related governance, we adopted the following policies relating to: (i) creating a safe and healthy workplace, encouraging and supporting a culture of learning and improving; (ii) offering competitive compensation and other benefits to our employees; and (iii) providing training, health, and professional and personal development for our employees.

The Board of Directors takes full responsibility for overseeing, monitoring and identifying the risks and opportunities related to environment, society and employees well-being, establishing and adopting our ESG policies and objectives, and reviewing our performance based on our ESG objectives annually. If material deviations are found, our ESG strategies will be revised accordingly.

Potential Impacts of ESG-Related Risks

During the Track Record Period, we were not involved in any manufacturing activities. We rented a laboratory at Johnson & Johnson Innovation – JLABS ("JLabs") that could accommodate about five people in Shanghai, China, and launched our robotics laboratory in Suzhou, China in December 2022. We did not have any material generation of emissions and wastes during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we have not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

To promote sustainable development, we have identified potential physical risks and transition risks from climate change. Acute physical risk can arise from extreme weather conditions such as storms and flooding, which may have potential financial implications for us. In the event of such extreme weather conditions, there could be financial losses due to direct damage of assets, delay of our drug pipeline R&D progress, disruption of operations, or even threaten the personal safety of employees. We may also experience indirect impacts from supply chain disruption if our suppliers suffer from such extreme weather conditions. Meanwhile, sustained elevated temperature resulting from chronic physical risk may increase the electricity consumption and thus the operating expenditure. In order to prevent these situations in advance, we always pay attention to catastrophic weather, strengthen our contingency plans for extreme
weather, and make timely adjustments according to temperature and weather conditions to ensure smooth transportation. Also, we adopted an array of measures in managing our energy consumption. During the Track Record Period, we were not affected by the above risks and our exposure to these potential risks is relatively low based on our analysis.

Potential transition risk may result from a lower-carbon economy, which entails climate-related regulations and policy change and reputational risk. We will work with suppliers to comply with such regulations as and when the same is in place, and we will monitor the scope to ensure our works meet the demands and expectations of the regulators and our customers.

Strategies for Addressing ESG-related Risks

We are adopting various strategies and measures to identify, assess, manage and mitigate ESG and climate-related risks, including but not limited to:

- Reviewing and evaluating ESG reports of comparable companies in the industry so as to ensure timely identification of general ESG-related risks;
- Discussing with the management from time to time and holding regular meetings so as to ensure that all material ESG areas are identified and reported;
- Discussing key ESG principles and practices with key stakeholders to ensure that important aspects are covered;
- Formulating specific ESG risk early warning system and management approaches, which quantify the performance indicators so as to identify and consider ESG risks and opportunities and separate ESG risks and opportunities from other business risks and opportunities; and
- Setting short-term and long-term targets for environmental key performance indicators, including emissions, pollution and other impacts on the environment, so as to reduce emissions and consumption of natural resources.

In addition, we will take comprehensive measures to mitigate, adapt and build resilience to the impact of the environment on our business, strategies and financial performance, as summarized below.

<table>
<thead>
<tr>
<th>Important Areas</th>
<th>Key Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid waste management</td>
<td>• Requiring proper handling and disposal of solid waste</td>
</tr>
<tr>
<td></td>
<td>• Carrying out hazardous waste storage in accordance with relevant standards, establishing a system for standardized management of hazardous waste, and delivering to qualified third party for proper disposal</td>
</tr>
<tr>
<td>Energy and resources saving</td>
<td>• Establishing a “Green Office Management System”</td>
</tr>
<tr>
<td></td>
<td>• Replacing with energy-saving equipment in offices</td>
</tr>
</tbody>
</table>

We will carry out a corporate risk assessment at least once a year which covers current and potential risks that we face, including but not limited to ESG risks and strategic risks from disruptive forces (such as climate change). The Board of Directors will, by themselves or by engaging third-party experts to, assess such risks, review our existing strategies, objectives and internal control, and make necessary optimizations to reduce the risks. The Board of Directors and the ESG working group will keep monitoring our approaches to risk management, including climate-related risks and risks monitored as part of standard operation procedures, to ensure that appropriate mitigation measures are implemented in regular management reviews.
The decisions on the reduction, transfer, acceptance or control of the risks are affected by various factors. We will incorporate climate-related issues, including the analysis on physical and transition risks, into risk assessment process and risk appetite setting. We will consider the risks and opportunities in strategic and financial planning process if such risks and opportunities are deemed to be material. After reviewing the environmental, social and climate-related risks and our performance in response to such risks each year, we may revise and alter our ESG strategies and corporate governance policies as appropriate.

Indicators and Targets

We monitor the following indicators to assess and manage our environmental and climate-related risks arising from our business and R&D activities.

- Power consumption. We regularly monitor our electricity consumption levels and implement measures to improve energy efficiency. For 2021 and 2022, our electricity consumption levels were 40,490.0 KWh and 151,312.2 KWh, respectively;
- Water consumption. We regularly monitor our water consumption levels and implement measures to promote water conservation. For 2021 and 2022, our water consumption levels were 3,067.9 tons and 15,311.7 tons, respectively;
- Emission of greenhouse gasses. We regularly monitor the level of greenhouse gas ("GHG") emissions. For 2021 and 2022, our greenhouse gas emissions (scope 1 and scope 2) were approximately 18.6 tonnes of CO2-e and 83.9 tonnes of CO2-e, respectively; and
- Discharge of hazardous waste. The hazardous waste generated by the company in the laboratory rented in JLabs is uniformly treated by a qualified third party managed by JLabs. Our self-built robotics laboratory in Suzhou, China was launched in December 2022 and has not yet been officially in used during the Track Record Period. Our hazardous waste discharge levels were nil during the Track Record Period.

The ESG working group will set targets for each material key performance indicator at the beginning of each financial year in accordance with the disclosure requirements under Appendix 27 of the Listing Rules and any other relevant rules and regulations after [REDACTED]. Relevant targets of the material key performance indicators will be reviewed annually to ensure that they are still suitable for our needs. When setting the targets for environment-related key performance indicators, we shall take into account our respective consumption or emission levels during the Track Record Period, and consider our future business expansion in a comprehensive and prudent manner, with a view to crafting a balance between business growth and environmental protection and achieving sustainable development.

During the Track Record Period, the total amount of GHG emissions (scope 1 and scope 2) were 102.5 tonnes of CO2e. In the future, we will promote a low-carbon office and low-carbon travel, and implement a number of measures to reduce greenhouse gas emissions.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees’ healthy and safe environment. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We invite experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to reduce risks associated with potential fire accidents. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees.
Employment Management

We attach great importance to the development of a diverse company cultures and continually implement management practices that support diversity and provide fair treatment and employment opportunities for all employees. We have no discrimination against job applicants or employees based on their ethnicity, race, nationality, social background, disability, religious belief, gender, marital status or age. We have an employee handbook and a transparent employee promotion system to protect the legal rights and interests of our employees and reasonably plan their professional development. In 2022, we were awarded the “E-trend Best Employer Award in Greater Health Field”.

Social Responsibility

In terms of social responsibility, our public relations department is responsible for disclosing the development and achievements of our company, and actively communicating with the media, universities, government, investors, public welfare organizations and other parties. We have carried out a number of activities in the fields of talent education and healthcare, and have provided support and assistance to the general public, university students and patients through diverse channels such as online platforms, research cooperation, social welfare organizations and science courses to deeply understand and solve key social issues.

We actively participate in events organized by major disease foundations in China, reach out to patients through channels built by the foundations, listen to their needs, and work with the foundations and other medical and research institutions to develop targeted drugs. In addition, we also provide a rich talent pool for the AI pharmaceutical industry. By establishing scholarships, holding various scientific seminars, and opening our PandaOmics platform, we provide professional guidance to university students, guide them to actively participate in AI biopharmaceutical industry R&D projects, and train relevant talents for the future of the industry.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant laws and regulations in all material aspects.

PERMITS, LICENSES AND OTHER APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits that are material to our operations, and such licenses, permits and certifications all remain in full effect. For more details regarding the laws and regulations to which we are subject, please see the section headed “Regulatory Overview” in this Document. We had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. To the best of our knowledge, there is no material legal impediment in renewing such licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations and rules. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to maintenance and renewal of our material licenses, permits, approvals and certificates.
The following table sets forth the details of our material licenses, permits and approvals as of the Latest Practicable Date.

<table>
<thead>
<tr>
<th>Licenses/Permit</th>
<th>Authority</th>
<th>Grant Date</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval for Clinical Trial on ISM001-055 Acetate Salt Capsule (C201103007-FPA)</td>
<td>Medsafe</td>
<td>January 14, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2022LP00860) ((藥物臨床試驗批准通 知書) (編號: 2022LP00860))</td>
<td>NMPA</td>
<td>May 24, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2022LP00861) ((藥物臨床試驗批准通 知書) (編號: 2022LP00861))</td>
<td>NMPA</td>
<td>May 24, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2022LP00862) ((藥物臨床試驗批准通 知書) (編號: 2022LP00862))</td>
<td>NMPA</td>
<td>May 24, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2022) GH3184) (中國人類遺 傳資源國際合作科學研究審批決定書) (編號: (2022) GH3184)</td>
<td>Administration Office of China Human Genetic Resources</td>
<td>July 11, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2022) GH6206) (中國人類遺 傳資源國際合作科學研究審批決定書) (編號: (2022) GH6206)</td>
<td>Administration Office of China Human Genetic Resources</td>
<td>November 28, 2022</td>
<td>N/A</td>
</tr>
<tr>
<td>Orphan Drug Designation</td>
<td>FDA</td>
<td>February 1, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>License/Permit</td>
<td>Authority</td>
<td>Grant Date</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------</td>
<td>------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2023LP00259)</td>
<td>NMPA</td>
<td>February 16, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2023LP00260)</td>
<td>NMPA</td>
<td>February 16, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Notice of Approval for Clinical Drug Trials (No. 2023LP00261)</td>
<td>NMPA</td>
<td>February 16, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2023) GH0969)</td>
<td>Administration Office of China Human Genetic Resources</td>
<td>March 10, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2023) GH1034)</td>
<td>Administration Office of China Human Genetic Resources</td>
<td>March 13, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Approval for ISM3091 Clinical Trial for Advanced Solid Tumors</td>
<td>FDA</td>
<td>April 14, 2023</td>
<td>N/A</td>
</tr>
<tr>
<td>Approval for ISM001-055 Clinical Trial for IPF</td>
<td>FDA</td>
<td>June 9, 2023</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**BUSINESS**

**GOVERNMENT GRANTS, AWARDS AND RECOGNITIONS**

The following table sets forth some of the important accreditations and awards we had received as of the Latest Practicable Date in recognition of our research and development capabilities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Accreditation/Award</th>
<th>Accreditation Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>“50 Digital Health Companies China” (中國數字醫療創新企業TOP50)</td>
<td>DeepTech</td>
</tr>
<tr>
<td>2022</td>
<td>“T+ Employer® Greater Health Excellence Employer” (T+ Employer® 大健康卓越雇主)</td>
<td>Medtread</td>
</tr>
<tr>
<td>2022</td>
<td>“Pioneer Enterprises in the Digital Transformation of Shanghai Biopharma Industry” (生物醫藥產業數字化轉型先鋒企業)</td>
<td>International Biomedical Industry Week of Shanghai</td>
</tr>
<tr>
<td>2022</td>
<td>“ioCentury-BayHelix East-West Summit Company of the Year” (國際生物製藥業年度企業獎)</td>
<td>BayHelix</td>
</tr>
<tr>
<td>2022</td>
<td>“Hong Kong Business Technology Excellence Awards” (HK Business香港商業科技卓越獎)</td>
<td>HK Business</td>
</tr>
<tr>
<td>2022</td>
<td>“SAIL Stars by World Artificial Intelligence Conference” (世界人工智能大會SAIL之星獎)</td>
<td>WAIC</td>
</tr>
<tr>
<td>2022</td>
<td>“Top 100 Most Innovative Artificial Intelligence Startups in the world by CB Insights” (CBInsights全球最具潛力的100家人工智能公司榜單)</td>
<td>CBInsights</td>
</tr>
<tr>
<td>2021</td>
<td>“50 Smartest Companies in China 2021 by MIT Technology Review” (《麻省理工科技評論》“50家聰明公司”)</td>
<td>MIT Technology Review</td>
</tr>
<tr>
<td>2021</td>
<td>“2021 Entrepreneurial Company of the Year Award in the Global AI-enabled Drug Discovery Industry” (2021全球AI製藥領域年度創意企業獎)</td>
<td>Frost &amp; Sullivan</td>
</tr>
<tr>
<td>2020</td>
<td>“2020 Digital Health 150 by CB Insights” (2020全球數字健康150強)</td>
<td>CBInsights</td>
</tr>
<tr>
<td>2019</td>
<td>“Fierce MedTech’s 2019 Fierce15”</td>
<td>Fierce</td>
</tr>
<tr>
<td>2017</td>
<td>“Top 5 AI Startups for Social Impact” (五大潛在最具社會影響的AI公司)</td>
<td>NIDIA</td>
</tr>
</tbody>
</table>

**LEGAL PROCEEDINGS AND COMPLIANCE**

**Legal Proceedings**

During the pending Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or pending legal or administrative proceedings. We are committed to maintaining the standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

**Legal Compliance**

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations in all material aspects in the relevant jurisdictions where we operate. Our Directors confirmed that we were not involved in any material or systematic non-compliance incidents.

Our compliance team is responsible for building, developing and improving our compliance management system to ensure our compliance culture is embedded into everyday workflow. The team
conducts compliance training for target groups and identifies, assesses, and reports compliance risks and expectations in a timely manner. For example, we provide formal and comprehensive company-level legal seminars to our employees, followed by on-the-job training to efficiently get them familiarized with their responsibilities and our compliance requirements. Our compliance team will also work with the senior management team to monitor and evaluate the effectiveness of our compliance function and structure to ensure that we comply with the applicable laws and regulations. For example, we will periodically conduct compliance and performance reviews on our employees against our internal compliance standards to ensure their compliance awareness meets our requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in our business operations, and we believe that risk management is important to our success. For details, see “Risk Factors.” Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following risk management measures:

• establish an Audit Committee to review and supervise our financial reporting process and internal control system;

• adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

• provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and

• attend training sessions by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong.

Internal Control

We have employed an independent internal control consultant to assess our internal control system in connection with the [REDACTED]. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations, and put forward suggestions for improvement. We have accepted these suggestions and further strengthened the design of our internal control process. After our rectification, the internal control consultant has performed the follow-up review and not identified any material deficiencies in our internal system.

We have also appointed external legal professionals to advise us on compliance matters, such as compliance with the regulatory requirements on clinical research and development, which is also monitored by our regulatory and quality assurance team. We have also established anti-bribery guidelines and compliance requirements in our employee handbook. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.
BUSINESS

We plan to provide our Directors, senior management, and relevant employees with continuous training programs and updates regarding the relevant laws and regulations regularly to proactively identify any concerns and issues relating to any potential non-compliance.

Anti-bribery

We maintain strict anti-corruption policies among our employees. We believe we will be less affected by the increasingly stringent measures taken by the relevant government to correct corruptive practices in the pharmaceutical industry. We strictly prohibit bribery or other improper payments in our business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses are rejected and promptly reported. Misleading, incomplete or false entries in our books and records are never acceptable. We will also ensure that future commercialization team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

DATA PRIVACY PROTECTION

We provide enterprise-level AI solutions for our users to run their own data. Specifically, (i) we are a provider of AI solutions for enterprise users rather than individual users, and our primary business includes providing AI drug design services, (ii) for cloud-based subscriptions, we offer our Pharma.AI platform and other out-of-the-box applications through premium commercial cloud services providers, and customer data is securely stored and processed according to the contracts with customers and applicable laws and regulations; and (iii) for subscriptions of on-premise software, our core processing technologies are embedded in our Pharma.AI platform installed on the customers’ servers or cloud platforms such that we do not own, access, collect or process our user’s data on our servers.

Data security and protection are among our highest priorities, and we have designed strict data protection and information security policies to ensure strict compliance with applicable laws, regulations and prevalent industry practice. We have established a data and information security group whose members include an information security advisor, IT directors and professionals. The data and information security group is responsible for formulating data and information security policies, overseeing the implementation of data security and protection in practice, reviewing and evaluating data security and protection activities on our databases and data review records on a regular basis and making decisions in the event of a material data breach. We have implemented comprehensive internal control policies on protecting data privacy and security under the supervision of the data and information security group, with the purpose to ensure data and information security, optimize data governance, protect the benefits of our users, business partners, employees and other third parties, and ensure compliance with applicable laws and regulations in all material respects. We also engage external legal professionals to regularly review and update our internal control policies and strategies, conduct penetration tests to ensure our implementation of data protection policies, and ensure continuous compliance with applicable laws and regulations in all material respects.

We have implemented the following measures to safeguard data privacy and cybersecurity:

(i) Authentication and authorization: We have implemented measures at the infrastructure level to protect data stored on our Pharma.AI platform and other information technology systems. A robust internal authentication and authorization system is used to ensure that confidential data can only be accessed by authorized personnel for authorized use at authorized Internet Protocol (IP) addresses. Data access activities are recorded for further monitoring. We also have clear and strict authorization and authentication procedures and policies.
(ii) Information technology system: Our employees have access only to data that is directly relevant and necessary to their job functions and for limited purposes and are required to verify authorization for each access attempt. We have established our information technology system in accordance with data security requirements, national standards and industry best practices, and intend to continue to invest heavily in data security and privacy protection. Our information technology system employs multiple layers of security, including both internal and external state-of-the-art firewalls, to protect our Pharma.AI platform and our information technology system from hacking, unwanted traffic and/or unauthorized access.

(iii) Data storage: We have taken a variety of measures to back up the data accumulated during our operations. Our cloud service vendor backs up our data on a daily, weekly or monthly basis according to the nature of the data. All drives, servers and copies are under strict control of our privacy and information security policies.

(iv) Customer data segregation: Subject to subscription agreements with our customers, we will not use or disclose the data generated by the customers when using our software except for limited circumstances. Accordingly, we have established measures to separate our own data from our customers’ data in accordance with the subscription agreements. Pharma.AI used internally is segregated from Pharma.AI used by customers and installed on separate servers. In addition, we separate a customer’s data from other customers’ data through an internal role-based access model and a security model in the platform.

In addition, we are committed to compliance, fairness and transparency in our privacy practices. All data collection, use and management practices are consistent with applicable laws and regulations, as well as industry standards and practices. Reaching agreement on data collection, use and management with our business partners and customers is a top priority before we enter into collaborations.

During the Track Record Period and up to the Latest Practicable Date, we had not received any claim from any third party against us on the ground of infringement of such party’s right to data and privacy protection as provided by any applicable laws and regulations, or subject to any fines or other penalties due to non-compliance with data privacy and security laws or regulations.

However, we may still be subject to certain risks in relation to the heightened regulations and market scrutiny. For additional information, please refer to “Risk Factors — Risks Related to Extensive Government Regulations — We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks relating to our management of the medical data.”
DIRECTORS

Upon [REDACTED], our Board will consist of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors.

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Date of Appointment as Director</th>
<th>Date of Joining our Group</th>
<th>Role and Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov), Ph.D.</td>
<td>44</td>
<td>Chairman of the Board, Executive Director and CEO</td>
<td>January 2019</td>
<td>February 2014</td>
<td>Overall strategic planning, business direction and day to-day operational management</td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D.</td>
<td>48</td>
<td>Executive Director, Co-CEO, Chief Scientific Officer</td>
<td>June 2021</td>
<td>February 2021</td>
<td>Overall strategic planning, business direction and day to-day operational management</td>
</tr>
<tr>
<td>Mr. Min Fang</td>
<td>44</td>
<td>Non-executive Director</td>
<td>June 2021</td>
<td>June 2021</td>
<td>Participating in key decision-making process in respect of major matters such as formulating overall corporate and business strategies</td>
</tr>
<tr>
<td>Mr. Kan Chen, Ph.D.</td>
<td>41</td>
<td>Non-executive Director</td>
<td>August 2021</td>
<td>August 2021</td>
<td>Participating in key decision-making process in respect of major matters such as formulating overall corporate and business strategies</td>
</tr>
</tbody>
</table>
DIRECTORS AND SENIOR MANAGEMENT

Name | Age | Position | Date of Appointment as Director | Date of Joining our Group | Role and Responsibility
--- | --- | --- | --- | --- | ---
Independent Non-executive Directors

Mr. Jingsong Wang, Ph.D. (王勤松) . . . | 59 | Independent non-executive Director | [REDACTED] | [REDACTED] | Supervising and providing independent judgment to our Board

Ms. Denitsa Milanova, Ph.D. . . . . . . . | 38 | Independent non-executive Director | [REDACTED] | [REDACTED] | Supervising and providing independent judgment to our Board

Mr. Roman Kyrychynskyi . . . | 47 | Independent non-executive Director | [REDACTED] | [REDACTED] | Supervising and providing independent judgment to our Board

Note:
(1) There is no relationship among each Director and member of senior management of the Company.

EXECUTIVE DIRECTORS

Mr. Alex Zhavoronkov, Ph.D., aged 44, is the founder of our Company and has served as the chairman of the Board, our Director and CEO since our inception. He was re-designated as our executive Director in June 2023.

Mr. Zhavoronkov served as a director of Deep Longevity, Inc from March 2020 to January 2023. Prior to founding Insilico Inc., Mr. Zhavoronkov worked in the Biogerontology Research Foundation from May 2008 to June 2016. He has published over 150 research papers and two books including “The Ageless Generation: How Biomedical Advances Will Transform the Global Economy.” Mr. Zhavoronkov is also the co-organizer of the Annual Aging Research and Drug Discovery Forum, one of Europe’s largest industry events in drug discovery.

Mr. Zhavoronkov received two bachelor’s degrees in commerce and science from Queen’s University in Canada in May and June 2001, respectively, a master’s degree in biotechnology from Johns Hopkins University in the United States in May 2007, and a Ph.D. in physics and mathematics from Moscow State University in Russia in October 2008.

Mr. Feng Ren, Ph.D. (任峰), aged 48, has served as our Chief Scientific Officer since February 2021, as our Director since June 2021 and as our Co-CEO since June 2022. He was re-designated as our executive Director in June 2023.

Prior to joining our Group, Mr. Ren was senior vice president, head of chemistry and biology of Shanghai Medicilon Inc., a company listed on the Shanghai Stock Exchange (SSE: 688202) which is a contract research organization, from February 2018 to January 2021. From February 2007 to January 2018, Mr. Ren worked in GlaxoSmithKline PLC, a global pharmaceutical company listed on the London Stock
DIREKTORS AND SENIOR MANAGEMENT

Exchange (LSE: GSK), with his final position being director, head of chemistry in neurodegeneration DPU. Mr. Ren has published approximately 30 peer-reviewed research papers.

Mr. Ren received his bachelor’s degree in polymer science from the University of Science and Technology of China in July 1998, a master’s degree in science from the National University of Singapore in March 2004, and a Ph.D. in organic chemistry from Harvard University in the United States in June 2007.

NON-EXECUTIVE DIRECTORS

**Mr. Min Fang (方敏)**, aged 44, has served as our Director since June 2021 and was re-designated as our non-executive Director in June 2023.

Mr. Fang has been a managing director at Warburg Pincus since July 2016 and is primarily responsible for investment and management consulting. Prior to joining Warburg Pincus in July 2011 as an associate, he worked at Boston Consulting (Shanghai) Company Ltd. as a consultant between September 2001 and July 2006. From January 2020 to October 2021, Mr. Fang served as a non-executive director of Hygeia Healthcare Holdings Co., Limited a company listed on the Hong Kong Stock Exchange (HKEx: 6078).

Mr. Fang has served as a non-executive director of Jinxin Fertility Group Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 1951), since December 2018.

Mr. Fang received a bachelor’s degree in economics with a major in international finance from Fudan University (復旦大學) in the PRC in July 2001 and a master’s degree in business administration from Stanford University in the United States in June 2007.

**Mr. Kan Chen, Ph.D. (陳佩)**, aged 41, has served as our Director since August 2021 and was re-designated as our non-executive Director in June 2023.

Mr. Chen has served as a non-executive director of Antengene Corporation Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 6996), since March 2021, a non-executive director of Connect Biopharma Holdings Limited, a company listed on the NASDAQ (NASDAQ: CNTB), since December 2020 and a non-executive director of CANbridge Pharmaceuticals Inc., a company listed on the Hong Kong Stock Exchange (HKEx: 1228), since December 2020. Mr. Chen has also been serving as a director of Jiangsu Yahong Pharmaceutical Technology Co., Ltd. (江蘇亞虹醫藥科技股份有限公司), a company listed on the Shanghai Stock Exchange STAR Market (SSE: 688176), principally engaged in drug innovation with a focus on urinary system tumors and other serious diseases since December 2020.

Previously, Mr. Chen served as a director of Abbisko Cayman Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 2256), which is principally engaged in research of small molecule new drugs, from February 2020 to June 2021.

Mr. Chen joined Qiming Venture Partners since February 2016 and currently serves as a partner, focusing on healthcare management.

Mr. Chen received a bachelor of science degree in biological sciences from Fudan University in July 2004 and a Ph.D. degree in cell biology from Case Western Reserve University in January 2009.

Independent Non-executive Directors

**Mr. Jingsong Wang, Ph.D. (王勁松)**, aged 59, was appointed as our independent non-executive Director in June 2023 with effect from the [REDACTED].
Directors and Senior Management

Mr. Wang has served as an executive director, the chief executive officer and chairman of the board of HBM Holdings Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 2142), since July 2016. Mr. Wang is the principal founder of HBM Holdings Limited. From November 2011 to December 2015, Mr. Wang served as the head of China research and development at Sanofi.

Mr. Wang has served as an independent director of Xinjiang Bai Hua Cun Pharma Tech Co., Ltd. (新疆百花村醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (SSE: 600721), since September 2021 and an independent non-executive director of Frontage Holdings Corporation, a company listed on the Hong Kong Stock Exchange (HKEx: 1521), since April 2018. He has also served as independent non-executive director of Silicon Therapeutics since August 2016.

Mr. Wang received his M.D. in clinical medicine from Xuzhou Medical College in China in June 1986, his master’s degree in medical science (immunology) from Jilin University (formerly known as Norman Bethune University of Medical Science before the combination with Jilin University) in China in July 1989, and his Ph.D. in molecular pharmacology from China Pharmaceutical University in China in July 2011. Mr. Wang also obtained a physician qualification awarded by the Commonwealth of Massachusetts Board of Registration in Medicine in May 2002, as well as a Diplomate in Internal Medicine and a Diplomate in Rheumatology, both awarded by the American Board of Internal Medicine in 2003 and 2004 respectively. He obtained Medical Physician and Surgeon certificate from the State Board of Medicine of the Commonwealth of Pennsylvania in 2006. In addition, Mr. Wang served as a research/clinical fellow in rheumatology at Brigham and Women’s Hospital and Harvard Medical School from June 2001 to June 2005.

Ms. Denitsa Milanova, Ph.D., aged 38, was appointed as our independent non-executive Director in June 2023 with effect from the [REDACTED].

Ms. Milanova is a Founder and Chief Executive Officer of Marble Therapeutics, Inc. since October 2022. Prior to founding Marble, Ms. Milanova served as a Technology Development Fellow and Principal Investigator at Wyss Institute for Biologically Inspired Engineering of Harvard University from April 2018 to October 2022, and as a Postdoctoral Fellow in the Genetics Department of Harvard Medical School working with Prof. George Church from December 2015 to April 2018. Ms. Milanova also served as a business consultant at Ohana Biosciences (a subsidiary of Flagship Pioneering), a Boston-based life science company incubator, from April 2016 to November 2017.

Ms. Milanova became a Doctoral Fellow of the Stanford Microfluidics Laboratory under Prof. Juan Santiago at Stanford University School of Engineering in August 2008. In 2010, Ms. Milanova continued her degree while also collaborating with Profs. Annelise Barron in Molecular Bioengineering for Medicine and Biotechnology and Michael Snyder at Stanford University School of Medicine from January 2015 to January 2016. Prior to that, Ms. Milanova served as an undergraduate researcher at the Nanofluids and Two-Phase Flow Laboratory during her studies at University of Central Florida.

Ms. Milanova received her B.S. in Mechanical Engineering at University of Central Florida in the United States in May 2008. Ms. Milanova received her M.Sc. in Mechanical Engineering in June 2010, her M.Sc. in Management Science and Engineering (an executive business degree with a focus on entrepreneurship) in June 2013, and her Ph.D. in Mechanical Engineering in January 2016, all from Stanford University in the United States. During her studies, Ms. Milanova was awarded a Stanford Graduate School of Engineering Fellowship in 2008, and a Stanford Bio-X Medtronic Fellowship in 2011, both of which provided outstanding young researchers with full financial support.

Mr. Roman Kyrychynskyi, aged 47, was appointed as our independent non-executive Director in June 2023 with effect from the [REDACTED].

Mr. Kyrychynskyi joined AMD as group manager for planning and pricing from 2000 to 2005, and he subsequently served as a financial controller from 2007 to 2009 and a product director from April 2009 to December 2017. Mr. Kyrychynskyi currently serves as the vice president of memory business since December 2021 and senior director of memory business since January 2018.
DIRECTORS AND SENIOR MANAGEMENT

Mr. Kyrychynskyi is a Chartered Professional Accountants of Canada. Mr. Kyrychynskyi received his Bachelor of Commerce (Honours) at Queen’s University in France in May 2000.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this Document, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Date of Appointment as a member of the Group</th>
<th>Date of Joining the Group</th>
<th>Roles and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov), Ph.D.</td>
<td>44</td>
<td>Chairman of the Board, Executive Director and CEO</td>
<td>February 2014</td>
<td>February 2014</td>
<td>Overall strategic planning, business direction and day to-day operational management</td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D. (任峰)</td>
<td>48</td>
<td>Executive Director, Co-CEO, Chief Scientific Officer</td>
<td>February 2021</td>
<td>February 2021</td>
<td>Overall strategic planning, business direction and day to-day operational management</td>
</tr>
<tr>
<td>Mr. Aleksandr Aliper, Ph.D.</td>
<td>33</td>
<td>President</td>
<td>February 2014</td>
<td>February 2014</td>
<td>Overall strategic planning and business direction</td>
</tr>
<tr>
<td>Mr. Nirav Jhaveri</td>
<td>45</td>
<td>Chief Financial Officer</td>
<td>September 2021</td>
<td>September 2021</td>
<td>Overseeing finance, investor relations and capital raising</td>
</tr>
<tr>
<td>Name</td>
<td>Age</td>
<td>Position</td>
<td>Date of Appointment as a member of senior management of the Group</td>
<td>Date of Joining the Group</td>
<td>Roles and Responsibilities</td>
</tr>
<tr>
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<td>----------------------------------------------------------------</td>
</tr>
<tr>
<td>Ms. Michelle Chen, Ph.D.</td>
<td>53</td>
<td>Chief Business Officer</td>
<td>October 2021</td>
<td>October 2021</td>
<td>Overseeing business development</td>
</tr>
<tr>
<td>Dr. Sujata Rao</td>
<td>63</td>
<td>Chief Medical Officer</td>
<td>July 2022</td>
<td>July 2022</td>
<td>Overseeing clinical development</td>
</tr>
<tr>
<td>Ms. Jun Wang (王君)</td>
<td>36</td>
<td>General Counsel and Board Secretary</td>
<td>September 2020</td>
<td>September 2020</td>
<td>Overseeing legal matters and board secretary affairs</td>
</tr>
</tbody>
</table>

**Mr. Alex Zhavoronkov, Ph.D.**, aged 44, is the chairman of the Board, our executive Director and CEO. For more details of his biography, see “Directors — Executive Directors” above.

**Mr. Feng Ren, Ph.D.** (任峰), aged 48, is our executive Director, Co-CEO and Chief Scientific Officer. For more details of his biography, see “Directors — Executive Directors” above.

**Mr. Aleksandr Aliper, Ph.D.**, aged 33, has joined our Group in February 2014 as our scientific co-founder and was appointed as our president in November 2018.

Prior to joining our Group, Mr. Aliper worked in the field of bioinformatics and analytics holding a senior bioinformatics scientist position at National Medical Research Center of Pediatric Hematology, Oncology and Immunology.

Mr. Aliper received his specialist degree in bioengineering from Moscow State University in Russia in June 2011 and a Ph.D. from Federal State Institution A.I. Burnazyan Federal Medical and Biophysical Center (SRC IBR) in Russia in June 2019.

**Mr. Nirav Jhaveri**, aged 45, has served as our Chief Financial Officer since September 2021.

Prior to joining our Group, Mr. Jhaveri served as chief financial officer of Journey Medical Corporation, a commercial-stage biopharmaceutical company from January 2020 to April 2021, where he was responsible for business development, corporate strategy and capital raising. Prior to Journey Medical, Mr. Jhaveri was vice president of business development, at Fortress Biotech from October 2014 to January 2020. Earlier in his career, he held roles in equity research at Citigroup and investment banking at Bank of America.

Mr. Jhaveri received his B.A. in chemistry and economics from the University of Pennsylvania in the United States in May 1999 and his MBA from New York University’s Stern School of Business in the United States in May 2005. Mr. Jhaveri is a CFA charterholder.

**Ms. Michelle Chen, Ph.D.**, aged 53, has served as our Chief Business Officer since October 2021.

Prior to joining our Group, Ms. Chen was the senior vice president of corporate development for WuXi Biologics (Cayman) Inc., a company listed on the Hong Kong Stock Exchange (HKEx: 2269), from April 2019 to October 2021 where she led corporate strategy, M&A, licensing, strategic partnerships, new company formation and supported investor relations. As a biotechnology executive, she worked at pharma
companies such as Roche Holding AG, a company listed on the SIX Swiss Stock Exchange (SWX: ROG), Merck & Co., a company listed on the New York Stock Exchange (NYSE: MRK), from April 2016 to December 2017 and BioMarin Pharmaceutical Inc., a company listed on the NASDAQ (NASDAQ: BMRN), from February 2018 to April 2019.

Ms. Chen received her Ph.D. in biochemistry from University of Washington in the United States in March 1997 and earned her B.S. in chemistry from Bethany College in the United States in June 1991.

Dr. Sujata Rao, aged 63, has served as our Chief Medical Officer since June 2023. She first joined the Company as Senior Vice President of Clinical Development in July 2022.

Dr. Rao has over 30 years of extensive clinical development and medical affairs experiences in several international biopharmaceutical companies and academic /healthcare institutions with senior executive positions. Before joining our Group, she worked at Eli Lilly and Co., a company listed on the New York Stock Exchange (NYSE: LLY). Prior to Eli Lilly and Co., Dr. Rao served as the medical director of integrative sciences at Bristol-Myers Squibb Co, a company listed on the New York Stock Exchange (NYSE: BMY). She also worked at Onyx Pharmaceuticals, Inc. as the medical director of medical affairs. Prior to joining the industry, Dr. Rao was a clinical associate professor in oncology at the Medical Center of the University of Washington and she also worked at MultiCare’s Medical Oncology-Hematology Associates.

Dr. Rao received her doctor’s degree of medicine from the State University of New York in June 1984. In June 1987, Dr. Rao completed residency at the University of Pittsburgh School of Medicine and Hospitals of the University Health Center of Pittsburgh. Dr. Rao completed fellowship training in Oncology/Hematology from Memorial Sloan-Kettering Cancer Center in June 1992. Dr. Rao has been awarded board certification/re-certification in Oncology (2002-2012) by the American Board of Internal Medicine.

Ms. Jun Wang (王君), aged 36, has served as our General Counsel and Board Secretary since September 2020.

Ms. Wang served as a senior legal counsel of Diebold Nixdorf, a Top 500 TMT company from June 2017 to August 2020, and as an associate of Rajah & Tann Singapore LLP, a law firm in Singapore, from January 2014 to May 2017. Prior to joining Rajah & Tann, Ms. Wang served as legal consultant at O’Melveny & Myers LLP, a U.S. law firm, from September 2011 to December 2013.

Ms. Wang received an LL.B. degree from East China University of Political Science and Law in China in July 2009, a B.A. degree in Foreign Language (English) from Shanghai International Studies University in China in July 2009, an LL.M. degree in economic law from East China University of Political Science and Law in China in June 2012 and an LL.M. degree from the University of Virginia, School of Law in the U.S. in May 2020.

COMPANY SECRETARY

Ms. Leung Kwan Wai (梁君慧) was appointed as our company secretary in March 2023. Ms. Leung is a Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Leung has over 15 years of experience in the corporate secretarial and compliance service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.
DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (CGI). Ms. Leung obtained her master’s degree of Corporate Governance from Hong Kong Metropolitan University.

CORPORATE GOVERNANCE

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The audit committee of the Company comprises three members, namely Mr. Roman Kyrychynskyi, Mr. Jingsong Wang, Ph.D., Ms. Denitsa Milanova, Ph.D., with Mr. Roman Kyrychynskyi, being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules, as chairman of the Audit Committee. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee of the Company comprises five members, namely Mr. Jingsong Wang, Ph.D., Mr. Min Fang, Mr. Feng Ren, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Jingsong Wang, Ph.D. as chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The Nomination Committee of the Company comprises five members, namely Mr. Alex Zhavoronkov, Ph.D., Mr. Kan Chen, Ph.D., Mr. Jingsong Wang, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Alex Zhavoronkov, Ph.D. as chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

ESG Committee

The Company has established the ESG Committee which comprises five members, namely Mr. Feng Ren, Ph.D., Mr. Alex Zhavoronkov, Ph.D., Mr. Jingsong Wang, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Feng Ren, Ph.D. as chairman of the ESG Committee. The primary duties of the ESG Committee is to formulate and review the Company’s ESG responsibilities, vision, strategy, framework, principles and policies and to monitor the implementations of the ESG policies passed by the Board.

Board Diversity

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company [has adopted] a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to
the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, educational background, industry experience and professional experience. Our Directors have balanced mix of gender, knowledge, skills and experiences, including management, finance, law, investment and biotechnology industries. They obtained degrees in various areas such as biology, bioengineering, pharmacy, business administration, law, and economics. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon [REDACTED], our Board comprises six male members and one female member. After [REDACTED], the nomination committee will revisit the board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board’s consideration in the future to ensure that gender diversity can be maintained. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Corporate Governance Code

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. Currently Mr. Alex Zhavoronkov, Ph.D., the Chairman of our Board, also performs as our CEO. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Alex Zhavoronkov, Ph.D. is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as the founder and our CEO. Our Board also believes that the combined role of Chairman of the Board and the 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. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the [REDACTED] save for the matter disclosed above.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a proprietary information and invention assignment agreement with our key management members and technical personnel. We normally enter into an employment contract with our key management members and technical personnel with a term of three year or non-fixed term employment contract. Below sets forth the key terms of these contracts we enter into with our key management members and technical personnel.

Confidentiality

- **Scope of confidential information:** Information the employee shall keep confidential refers to any proprietary or confidential information of our Group and our clients, customers, business partners and licensors, including, without limitation, technical data, trade secrets, algorithms, source codes, research and development information, chemical structures, biological targets of interest, product plans, services, customer lists and customers, supplier lists and suppliers, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, personnel information, marketing, finances or other business information disclosed to the employee by or on behalf of, or obtained by the employee from, our Group and our clients, customers, business partners and licensors, either directly or indirectly in writing, orally or by drawings or observation of parts or equipment.
• **Confidential obligation:** The employee shall (i) hold the confidential information in the strictest confidence, and not to use, except for the benefit of our Group, or to disclose to any third party any confidential information without written consent of our Group; (ii) upon the departure of the employee or our Group’s request, promptly return all documents and materials of any nature pertaining to the employee’s work with our Group and provide a written compliance certification to the Group; (iii) not improperly use or disclose any trade secrets of any third party (including former employers) and not bring onto the premises of our Group any unpublished document or proprietary information belonging to such third parties unless consented to in writing; and (iv) keep in confidence any confidential information received by our Group from third parties in a manner consistent with the agreement that our Group has with such third parties.

• **Confidential period:** The confidentiality obligation shall continue to be in effect during the course of employment and after the departure of the employee.

**Ownership of Intellectual Work Products**

• **Assignment and Acknowledgement:** The employee assigns to our Group all the employee’s right, title, and interest in all sorts of intellectual work products that the employee produces during the course of this or her employment with our Group (whether or not during business hours) that are either related to the scope of his or her employment or engagement with our Group or make use of the resources of our Group. The employee acknowledges that our Group shall be the sole owner of any such intellectual work products.

**Non-Competition**

• **Term and Scope:** The non-competition obligation is effective during the course of employment and for a period of six months thereafter. The non-competition obligation shall cover the employee’s activities in each country or region where the Group has an office or from which our Group derives at least ten percent of gross revenues in the twelve months immediately prior to the departure of the employee.

• **Non-competition obligation:** The employee shall not, without the prior written consent of our Group, (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for, (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, (iii) build, design, finance, acquire, lease, operate, manage, invest in, work or consult for or otherwise affiliate himself or herself with, any business in the life science industry engaged in research and development of artificial intelligence or deep learning technology for the purpose of target discovery, drug discovery or development of therapeutic products, or otherwise in competition with our Group.

**COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our Directors receive compensation in the form of salaries and benefits in kind. Our Directors’ remuneration is determined with reference to the relevant Director’s experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, bonuses, discretionary bonuses and share based payments) to our Directors for the years ended December 31, 2021 and 2022 were US$2.1 million and US$3.1 million respectively. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately US$1.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this Document.

The five highest paid individuals of our Group for the year ended December 31, 2021 and 2022 included one Director and two Directors respectively. The aggregate amount of remuneration (including
salaries, allowances and benefits in kind, bonuses, discretionary bonuses and share based payments) for the remaining four and three highest paid individuals for the two years ended December 31, 2021 and 2022 were US$4.2 million and US$8.1 million respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments.

For more details on remuneration of our Directors and the highest paid individuals, see Note 13 to the Accountants’ Report.

[REDACTED] EQUITY INCENTIVE PLANS


COMPETITION

As of the Latest Practicable Date, none of the Directors have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

• before the publication of any regulatory announcement, circular or financial report;

• where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;

• where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

• where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the [REDACTED] and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].
**SUBSTANTIAL SHAREHOLDERS**

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

<table>
<thead>
<tr>
<th>Substantial Shareholder</th>
<th>Capacity / Nature of interest</th>
<th>Total number of Shares held as of the Latest Practicable Date</th>
<th>Approximate percentage of interest in our Company on the Latest Practicable Date (%)</th>
<th>Approximate percentage of interest in our Company upon completion of the [REDACTED] and the <a href="1">REDACTED</a> (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Alex Zhavoronkov, Ph.D.</td>
<td>Beneficial interest</td>
<td>2,129,175</td>
<td>10.32%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Mesolite Gem Investments Ltd(2)</td>
<td>Beneficial interest</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>WPC-SEA II Cayman GP(2)</td>
<td>Interest in controlled corporation</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>WPC-SEA II Cayman GP LLC(2)</td>
<td>Interest in controlled corporation</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>WPP II Cayman(2)</td>
<td>Interest in controlled corporation</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Warburg Pincus (Bermuda) Private Equity GP Ltd.(2) ...</td>
<td>Interest in controlled corporation</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Warburg Pincus LLC(2)</td>
<td>Interest in controlled corporation</td>
<td>2,002,457</td>
<td>9.71%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Qiming Corporate GP VI, Ltd.(3)</td>
<td>Interest in controlled corporation</td>
<td>1,187,932</td>
<td>5.76%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>WuXi AppTec(4)</td>
<td>Interest in controlled corporation</td>
<td>1,329,987</td>
<td>6.45%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>WuXi PharmaTech Healthcare Fund I L.P.(4) ...</td>
<td>Beneficial interest</td>
<td>1,329,987</td>
<td>6.45%</td>
<td>[REDACTED]%</td>
</tr>
</tbody>
</table>
## SUBSTANTIAL SHAREHOLDERS

<table>
<thead>
<tr>
<th>Substantial Shareholder</th>
<th>Capacity / Nature of interest</th>
<th>Total number of Shares held as of the Latest Practicable Date</th>
<th>Approximate percentage of interest in our Company on the Latest Practicable Date</th>
<th>Approximate percentage of interest in our Company upon completion of the [REDACTED] and the <a href="1">REDACTED</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pavilion Capital(5) ..........</td>
<td>Interest in controlled corporation</td>
<td>1,252,736</td>
<td>6.07%</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Palace Investments Pte, Ltd.(5)</td>
<td>Beneficial interest</td>
<td>1,252,736</td>
<td>6.07%</td>
<td>[REDACTED]%</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans, and assuming all Preferred Shares are converted into Ordinary Shares on 1:1 basis. The number of Shares held as of the Latest Practicable Date is subject to adjustments as a result of the [REDACTED].

(2) Mesolite Gem Investments Ltd (“Mesolite”) is an exempted company incorporated under the laws of the Cayman Islands with limited liability on March 12, 2021. Mesolite is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Mesolite is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. The general partner of Warburg Pincus China-Southeast Asia II (Cayman), L.P. is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P. (“WPC-SEA II Cayman GP”), the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC (“WPC-SEA II Cayman GP LLC”). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P. (“WPP II Cayman”), the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd. Based on the above, under the SFO, each of WPC-SEA II Cayman GP, WPC-SEA II Cayman GP LLC, WPP II Cayman, Warburg Pincus (Bermuda) Private Equity GP Ltd., Warburg Pincus LLC is deemed interested in the 2,002,457 Shares held by Mesolite Gem Investments Ltd.

(3) Qiming Venture Partners VI, L.P. (“QVP VI”) and Qiming Managing Directors Fund VI, L.P. (“QMD VI”) directly holds 1,156,804 Shares and 31,128 Shares respectively. Each of QVP VI and QMD VI is an exempted limited partnership established under the laws of the Cayman Islands and managed and controlled by its general partner Qiming Corporate GP VI, Ltd. Based on the above, under the SFO, Qiming Corporate GP VI, Ltd. is deemed to be interested in (through its interests in controlled corporations) the 1,156,804 Shares and 31,128 Shares held by QVP VI and QMD VI, respectively.

(4) WuXi PharmaTech Healthcare Fund I L.P. is an exempted limited partnership established in the Cayman Islands and directly holds 1,329,987 Shares in our Company. All limited partnership interests of WuXi PharmaTech Healthcare Fund I L.P. are held by WuXi AppTec Co., Ltd. (“WuXi AppTec”). WuXi AppTec is a leading global pharmaceutical R&D services platform listed on the Stock Exchange (stock code: 2359.HKSE) and the Shanghai Stock Exchange (stock code: 603259.SSE), and the general partner of WuXi PharmaTech Healthcare Fund I L.P. is a wholly owned subsidiary of WuXi AppTec. Based on the above, under the SFO, WuXi AppTec is deemed interested in the 1,329,987 Shares held by WuXi PharmaTech Healthcare Fund I L.P.

(5) Palace Investments Pte. Ltd. is an investment holding company, and directly holds 1,252,736 Shares in our Company. Palace Investments Pte. Ltd. is an indirectly wholly-owned subsidiary of Pavilion
SUBSTANTIAL SHAREHOLDERS

Capital Holdings Pte. Ltd. (“Pavilion Capital”), which in turn is an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”). Pavilion Capital is independently-managed. Temasek is not involved in the business or operating decisions of Pavilion Capital or Palace Investments Pte. Ltd., including their decisions in relation to our Group. Based on the above, under the SFO, Pavilion Capital is deemed interested in the 1,252,736 Shares held by Palace Investments Pte. Ltd.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.
AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid immediately following completion of the [REDACTED].

As of the Latest Practicable Date, our authorized share capital was US$635 divided into (i) 45,293,280 Ordinary Shares, (ii) 731,083 Series A Preferred Shares, (iii) 4,207,604 Series B Preferred Shares, (iv) 3,177,901 Series C1 Preferred Shares, (v) 6,255,815 Series C2 Preferred Shares, and (vi) 3,834,317 Series D Preferred Shares, of a par value of US$0.00001 each.

As of the Latest Practicable Date, our issued and outstanding share capital consisted of (i) 3,832,893 Ordinary Shares, (ii) 731,083 Series A Preferred Shares, (iii) 4,207,604 Series B Preferred Shares, (iv) 3,177,901 Series C1 Preferred Shares, (v) 6,255,815 Series C2 Preferred Shares, and (vi) 2,421,692 Series D Preferred Shares, of a par value of US$0.00001 each.

Effective upon the conditions of the [REDACTED] being fulfilled, each Share in our then issued and unissued share capital with a par value of US$0.00001 each shall be split into [REDACTED] Shares of the corresponding class with a par value of US$[REDACTED] each. The Preferred Shares will be converted into Ordinary Shares of our Company on a one-to-one basis by way of re-designation immediately before the completion of the [REDACTED]. As a result, our authorized share capital will be US$635 divided into [REDACTED] Shares of par value of US$[REDACTED] each.

Assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans, the share capital of our Company immediately after the [REDACTED] and the [REDACTED] will be as follows:

<table>
<thead>
<tr>
<th>Description of Shares</th>
<th>Number of Shares</th>
<th>Aggregate nominal value of Shares (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in issue (including the Shares upon re-designation of the Preferred Shares)</td>
<td>412,539,760</td>
<td>206,26988</td>
</tr>
<tr>
<td>Total</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

Assuming the [REDACTED] is exercised in full and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans, the share capital of our Company upon completion of the [REDACTED] and the [REDACTED] will be as follows:

<table>
<thead>
<tr>
<th>Description of Shares</th>
<th>Number of Shares</th>
<th>Aggregate nominal value of Shares (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in issue (including the Shares upon re-designation of the Preferred Shares)</td>
<td>412,539,760</td>
<td>206,26988</td>
</tr>
<tr>
<td>Shares to be issued pursuant to the [REDACTED]</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
<tr>
<td>Total</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

ASSUMPTIONS

The above tables assume that the [REDACTED] is completed, the [REDACTED] becomes unconditional, all Preferred Shares are converted into Ordinary Shares, and that the issue of Shares pursuant to the [REDACTED]
SHARE CAPITAL

[REDACTED] are made as described herein. It takes no account of any Shares which may be issued under the [REDACTED] Equity Incentive Plans, or any Shares which may be issued and allotted or repurchased pursuant to the general mandate given to the Directors for issuance and allotment of Shares referred to in Appendix IV in this Document or the repurchase mandate referred to in Appendix IV to this Document, as the case may be.

RANKING

The [REDACTED] are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the [REDACTED] and the [REDACTED]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into Shares of larger or smaller amount; (iii) subdivide its Shares into shares of smaller amount; (iv) cancel any shares which have not been taken; (v) make provision for the allotment and issue of shares; (vi) change the currency of denomination of share capital; and (vii) reduce its share premium account. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For more details, see “Summary of the Constitution of Our Company and Cayman Companies Act – Articles of Association – Shares – Alteration of Capital” in Appendix III.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

(a) 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]; and
(b) the total number of Shares repurchased by our Company pursuant to the authority referred to in the sub-section headed “Potential Changes to Share Capital – General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and
(c) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]).
This mandate only relates to repurchases on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

(c) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Appendix IV – Statutory and General Information – Further Information About Our Company – Resolutions of Our Shareholders” to this Document for more details on the general mandates to issue and repurchase Shares.

[REDACTED] EQUITY INCENTIVE PLANS

We have adopted the [REDACTED] Equity Incentive Plans, consisting of the 2019 Share Plan, 2019 Equity Incentive Plan, the 2021 Equity Incentive Plan and the 2022 Equity Incentive Plan. The principal terms of each are summarized in the section headed “Appendix IV – Statutory and General Information – Further Information about Our Company – Equity Incentive Plans”.

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FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2021 and 2022 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a globally leading end-to-end generative AI-driven biotech company in terms of AIDD pipeline progress, with a mission to accelerate drug discovery and development by leveraging our rapidly evolving, proprietary Pharma.AI platform across biology, chemistry and clinical development. Founded in 2014 at the Emerging Technology Centers of Johns Hopkins University in Baltimore, Maryland, we have a global presence in the U.S., Greater China, Canada and the Middle East. In 2019, we established our Hong Kong headquarters with a team consisting of disease modeling and target discovery scientists, as well as generative AI application engineers led by our CEO, who resides in Hong Kong. Our generative AI platform helps us to rapidly and efficiently advance our fully self-generated AIDD pipeline primarily composed of novel drug candidates. As of the Latest Practicable Date, we have efficiently built a diversified, internally generated pipeline consisting of 31 programs for 29 drug targets. Our Core Product, ISM001-055, also known as INS018_055, is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TNIK, a novel anti-fibrotic target identified through our Pharma.AI platform. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase Iia clinical trial to evaluate the safety, tolerability, PK and efficacy of ISM001-055 in China in April 2023 and plan to initiate it in the U.S. in the second half of 2023. Furthermore, ISM001-055 received orphan drug designation from the FDA in February 2023, qualifying us for incentives including a potential seven-year market exclusivity after approval. We believe that ISM001-055 could be a first-in-class drug candidate with the potential to provide better treatment outcomes for IPF patients.

We are driven by a highly experienced therapeutic pipeline development team and a world-class generative AI platform development team. Each team is led by a leader who is an expert in his field. Our dual-CEO structure helps us combine a highly efficient therapeutic pipeline development process with state-of-the-art generative AI capabilities to achieve our goal of bringing novel and clinically meaningful therapies to patients. On the therapeutics development front, we have established a cutting-edge target discovery and validation laboratory at Suzhou, China, which combines our Pharma.AI backbone with its full suite of generative capabilities with wet lab capabilities to enable the automation of multiple drug discovery workflows while reducing human and experimental bias. Our internal pharmaceutical pipeline development capabilities are complemented by an extensive network of CROs and CDMOs that support our discovery, preclinical and clinical activities to facilitate the efficient progression of our drug candidates into clinical trials. On the generative AI technology front, our Pharma.AI enables the rapid discovery of novel targets including in previously undruggable targets, the efficient generation of drug candidates and the prediction of the drug candidate’s likelihood of clinical success.
BASIS OF PREPARATION

The consolidated financial statements of the Group for the Track Record Period have been prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). The consolidated financial information of the Group is presented in U.S. dollars except when otherwise indicated. The preparation of consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. For example, not only the factors in relation to our pre-revenue product candidates, but also the factors in relation to our revenue-generating services, may affect our results of operations. A detailed discussion of the key factors is set out below.

Our ability to advance our drug pipeline

We are advancing our internal drug discovery programs by leveraging our end-to-end technology platform. As of the Latest Practicable Date, we have efficiently built a diversified pipeline consisting of 31 programs for 29 drug targets. We intend to advance these programs through the various stages of development. As these programs progress, we will strategically evaluate on a program-by-program basis whether to conduct development ourselves or to enter an out-licensing arrangement to maximize the value of the programs.

For those candidates that we largely develop on our own, we will need to devote substantial resources to advance them. Our expenses associated with progressing our internal drug discovery programs will impact our financial performance, especially as they enter late-stage clinical trials. Additionally, our business and results of operations will depend on our drug candidates’ ability to obtain the requisite regulatory approvals for our drug candidates to initiate clinical trials, ability to demonstrate favorable safety and efficacy in clinical trials, and ability to advance through clinical development and secure eventual regulatory approval. Finally, we may not be able to successfully develop and commercialize our drug candidates, which would materially and adversely affect our financial performance.

Our ability to advance our collaborations of drug discovery and development

An important component of our strategy is to expand our collaborations with biopharmaceutical firms globally. We have entered into several drug discovery and development collaborations with biopharmaceutical companies, and we believe that we have a significant opportunity to build upon our existing collaborations to secure new opportunities that leverage our generative AI platform and research and development capabilities. We believe that our collaborations have the potential to be a significant driver of value for us in the form of research fees, milestone payments and option fees, as well as royalties.

We continue to work with our current collaborators to advance existing programs through the research and discovery stages and to initiate additional programs with these collaborators. Our ability to derive value from our collaborations will be driven by the ability to move the associated assets through development, regulatory approval and potential commercialization by us or our collaborators. Our ability to secure additional collaborations is dependent upon successful research and development efforts, the ongoing enhancement of our technology platform and business development efforts.

Our ability to increase our customer base and drive additional revenue from our software solutions from existing customers

We believe that we have a significant opportunity for growth with biopharmaceutical companies that could benefit from our solutions. Our ability to continue to grow our customer base is dependent upon our
ability to educate the market and support the business through investment in our sales and marketing efforts and the ongoing enhancement of our generative AI platform.

The biopharmaceutical industry presents a significant opportunity for us to expand our revenue by increasing the customer base that utilize our software. The revenue that we generate through our software solutions from each of our customers varies depending on the number of subscription agreements that each customer enters into with us. Accordingly, we work with our customers to improve their experience and increase the utilization of our platforms.

We intend to leverage our existing relationships with our customers and establish new relationships with potential customers to drive greater adoption of our software solutions. If we are unable to continue to increase revenue from existing and new customers, our financial performance will be adversely impacted.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses and administrative expenses.

Research and development activities, such as conducting preclinical studies, clinical trials and activities related to regulatory filings for our product candidates, are central to our business model. For 2021 and 2022, our research and development expenses were US$38.5 million and US$78.2 million, respectively. Our research and development expenses primarily consist of third-party contracting costs, labor costs and share based compensation expenses. We expect our research and development expenses to continue to increase for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our product candidates and as we move those product candidates into further clinical trials.

Our administrative expenses consist of labor costs, professional and consultation fees, share based compensation expenses, travel and entertainment expenses, IT and office supplies expenses, and rental and utilities expenses.

We expect our cost structure to evolve as we continue to develop and expand our business. As the preclinical studies and clinical trials of our product candidates continue to progress and as we gradually bring assets in our product pipeline to commercialization, we expect to incur additional costs, such as the cost of manufacturing and sales and marketing of marketed drugs. We also anticipate increasing legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing, drug discovery revenue including payments from upfront payments and other success-based development milestones, as well as software solution services revenues including subscription fees related to licensing components of our proprietary generative AI platform. Going forward, we expect to fund our operations with revenue generated from research and development collaborations, revenue generated from asset out-licensing and subscription fees related to licensing components of our proprietary generative AI platform. In the event of the successful development and commercialization with our partners of one or more of our drug candidates, we may also generate revenue from our commercialized drug products. However, with the continuing expansion of our business, we may require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other funding sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.
SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants’ Report in Appendix I to this Document.

Significant Accounting Policies

Revenue from Contracts with Customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to customers. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Except for granting of a license that is distinct from other promised services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group’s performance as our Group performs;
- our Group’s performance creates or enhances an asset that the customer controls as our Group performs; or
- our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. For granting of a license that is distinct from other promised services, the nature of our Group’s promise in granting a license is a promise to provide a right to access our Group’s intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that our Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of our Group’s activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.
A contract asset represents our Group’s right to consideration in exchange for services that our Group have transferred to a customer that is not yet unconditional.

**Employee Benefits**

**Retirement benefit costs**

We participate in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which we pay a fixed percentage of its staff’s wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

**Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options and restricted shares/share units that vest immediately at the date of grant, the fair value of the share options and restricted shares/share units granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When the restricted shares/share units are forfeited after the vesting date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When restricted shares/share units granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the services received measured at the grant date is recognized, as a minimum, fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if we modify the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the modified vesting conditions is taken into consideration over the remaining vesting period.
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The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the original equity instruments granted is continued to be accounted for as if that modification had not occurred.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, including leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
**FINANCIAL INFORMATION**

*Internally generated intangible assets - research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other
comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability’s credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Significant Accounting Judgments and Estimates

Critical accounting judgments in applying accounting policies

Development expenses

Development expenses incurred on our drug product pipelines are capitalized and deferred only when we could demonstrate (i) the technical feasibility of completing the development of the relevant intangible asset so that it will be available for use or sale; (ii) our intention to complete and our ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all research and development expenses are expensed when incurred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Fair value measurement of financial liabilities at FVTPL

We issued series of preferred shares to certain investors during the Track Record Period. We accounted for these financial instruments as financial liabilities at FVTPL. The fair value of these financial instruments is determined using valuation techniques, namely back-solve method under market approach, discounted cash flow method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as possibilities and expected date under different scenarios such as liquidation event, volatility and risk-free interest rate which require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the financial liabilities at FVTPL. As at December 31, 2021 and 2022, the carrying amounts of financial liabilities at FVTPL were US$401.1 million and US$649.0 million respectively.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses that we recognize in the historical financial information.
DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts for the periods indicated.

<table>
<thead>
<tr>
<th>Financial Item</th>
<th>For the year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>4,713</td>
<td>30,147</td>
</tr>
<tr>
<td>Cost of services</td>
<td></td>
<td>–</td>
<td>(11,037)</td>
</tr>
<tr>
<td>Gross profits</td>
<td></td>
<td>4,713</td>
<td>19,110</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>5</td>
<td>275</td>
</tr>
<tr>
<td>Other gains and losses, net</td>
<td></td>
<td>(81,691)</td>
<td>(141,875)</td>
</tr>
<tr>
<td>Impairment losses under expected credit loss model, net of reversal</td>
<td></td>
<td>(34)</td>
<td>(234)</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td></td>
<td>(1,293)</td>
<td>(5,375)</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td></td>
<td>(38,489)</td>
<td>(78,175)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td>(13,680)</td>
<td>(15,442)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(36)</td>
<td>(99)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td></td>
<td>(130,505)</td>
<td>(221,815)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td></td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>Other comprehensive (expense) income</td>
<td></td>
<td>(27)</td>
<td>794</td>
</tr>
<tr>
<td>Loss and total comprehensive expense for the year</td>
<td></td>
<td>(130,532)</td>
<td>(221,034)</td>
</tr>
</tbody>
</table>

Revenue

During the Track Record Period, we generated revenue from drug discovery services and software solution services. We expect to continue to generate our revenue from such sources and expand our revenue sources upon the commercialization of approved drugs. The following table sets forth a breakdown of our revenue in absolute amount and as percentage of our total revenue for the periods indicated:

<table>
<thead>
<tr>
<th>Financial Item</th>
<th>For the year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in thousands, except for percentages)</td>
<td></td>
</tr>
<tr>
<td>Drug discovery services</td>
<td></td>
<td>3,687</td>
<td>28,648</td>
</tr>
<tr>
<td>Software solution services</td>
<td></td>
<td>1,026</td>
<td>1,499</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4,713</td>
<td>30,147</td>
</tr>
</tbody>
</table>

Revenue from our drug discovery services was derived from our research and development collaborations, including payments from upfront payments and other success-based development milestones. For the collaborations arrangements and drug discovery projects with pharmaceutical companies, we were mainly engaged to utilize our AI-driven drug discovery platform to identify potential drug candidates with desired drug-like properties.

Revenue from our software solution services was derived from subscription fees related to licensing components of our proprietary generative AI platforms, namely Biology42, Chemistry42 and Medicine42. We granted our customers with access to our AI-driven proprietary drug discovery software on a subscription basis and collected upfront subscription fees. The subscriptions typically have one year terms with clients having the right to renew their subscription.
Cost of Services

During the Track Record Period, our cost of services mainly consisted of third-party contracting costs and labor costs in relation to drug discovery services. The drug discovery services and internal research and development activities are both performed by our research and development specialists. In 2021, the costs related to drug discovery services were in small scale. In 2022, our external services significantly increased. Therefore, we recorded cost of sales of nil and US$11.0 million in 2021 and 2022, respectively, and will continue to record cost of services going forward. The following table sets forth a breakdown of our cost of services in absolute amount and as percentage of our total cost of services for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>%</td>
</tr>
<tr>
<td>(in thousands, except for percentages)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third-party contracting costs</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Labor costs</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Third-party contracting costs include fees paid to CROs and CDMOs pursuant to services agreements we have entered into with them. Labor costs primarily include salaries, welfare and pension costs for our research and development employees.

The following table sets forth a breakdown of our cost of services by component in absolute amount and as percentage of our total cost of services for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>%</td>
</tr>
<tr>
<td>(in thousands, except for percentages)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drug discovery services</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Software solution services</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

During the Track Record Period, we recorded cost of services of nil for our software solution services. Our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our AI software platform. Therefore, these costs were included in our research and development expenses. We recorded cost of services of nil for our drug discovery service in 2021 because the costs related to drug discovery services were in small scale.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of services. Our gross profit margin represents our gross profit as a percentage of our revenue. For 2021 and 2022, our gross profit was US$4.7 million and US$19.1 million, respectively, and our gross profit margin was 100.0% and 63.4%, respectively.

Other Income

During the Track Record Period, our other income consisted of bank interest income and others. Bank interest income includes interests generated from our bank deposits. Others represents income from government grants we received.
FINANCIAL INFORMATION

Other Gains and Losses, Net

The following table below sets forth a breakdown of our other gains and losses, net, and as percentage of our total other gains and losses, net, for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td></td>
<td>US$</td>
<td>%</td>
<td>US$</td>
</tr>
<tr>
<td>Other gains and losses, net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net foreign exchange losses</td>
<td>(136)</td>
<td>0.2</td>
<td>(571)</td>
</tr>
<tr>
<td>Loss on disposal of a subsidiary</td>
<td>–</td>
<td>–</td>
<td>(2,189)</td>
</tr>
<tr>
<td>Gain on termination of lease</td>
<td>–</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial liabilities at FVTPL</td>
<td>(81,110)</td>
<td>99.3</td>
<td>(138,100)</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial assets at FVTPL</td>
<td>(443)</td>
<td>0.5</td>
<td>(1,038)</td>
</tr>
<tr>
<td>Others</td>
<td>(2)</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>(81,691)</td>
<td>100.0</td>
<td>(141,875)</td>
</tr>
</tbody>
</table>

Our other gains and losses, net, mainly consisted of loss from changes in fair value of financial liabilities at FVTPL, which amounted to 99.3% and 97.4% of our total other gains and losses, net, in 2021 and 2022, respectively. Our loss from changes in fair value of financial liabilities at FVTPL was a result of the increase in value of our preferred shares in 2021 and 2022.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses consisted of labor costs, marketing costs, share-based compensation expenses and others. The table below sets forth a breakdown of our selling and marketing expenses in absolute amount and as percentage of our total selling and marketing expenses for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td></td>
<td>US$</td>
<td>%</td>
<td>US$</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor costs</td>
<td>742</td>
<td>57.4</td>
<td>2,764</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>282</td>
<td>21.8</td>
<td>489</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>194</td>
<td>15.0</td>
<td>1,419</td>
</tr>
<tr>
<td>Others</td>
<td>75</td>
<td>5.8</td>
<td>703</td>
</tr>
<tr>
<td>Total</td>
<td>1,293</td>
<td>100.0</td>
<td>5,375</td>
</tr>
</tbody>
</table>

Our labor costs primarily consists of salaries, welfare and other benefits for our selling and marketing staff. Marketing costs primarily consists of marketing related expenses. Others include depreciation and amortization, travel expenses, IT and office supplies expenses and rental and utilities expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses were incurred in connection with carrying out the research and development activities of our product candidates. Our research and development expenses consist of third-party contracting costs for discovery and development services and clinical trial related services provided by CROs and CDMOs, labor costs, share-based compensation expenses and others. The table below sets forth a breakdown of our research and development expenses in
absolute amount and as percentage of our total research and development expenses for the periods indicated:

<table>
<thead>
<tr>
<th>Research and development expenses</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>(in thousands, except for percentages)</td>
<td></td>
</tr>
<tr>
<td>Third-party contracting costs</td>
<td>27,599</td>
</tr>
<tr>
<td>Labor costs</td>
<td>7,813</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>2,332</td>
</tr>
<tr>
<td>Others</td>
<td>745</td>
</tr>
<tr>
<td>Total</td>
<td>38,489</td>
</tr>
</tbody>
</table>

Our third-party contracting costs primarily consist of CRO and CDMOs expenses incurred in relation to our programs. CROs and CDMOs engaged for our programs provide wet lab experiments and manufacturing services, and do not contribute to IP. Our labor costs primarily consists of salaries, welfare and pension for our research and development staff. Our share-based compensation expenses represent the expenses associated with equity compensation to our research and development staff. Others include depreciation and amortization, rental and utilities expenses and other miscellaneous costs.

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of labor costs, share-based compensation expenses, professional and consultation fees and others. The table below sets forth a breakdown of our administrative expenses in absolute amount and as percentage of our total administrative expenses for the periods indicated:

<table>
<thead>
<tr>
<th>Administrative expenses</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>(in thousands, except for percentages)</td>
<td></td>
</tr>
<tr>
<td>Labor costs</td>
<td>4,847</td>
</tr>
<tr>
<td>Professional and consultation fees</td>
<td>3,694</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>3,568</td>
</tr>
<tr>
<td>Others</td>
<td>1,571</td>
</tr>
<tr>
<td>Total</td>
<td>13,680</td>
</tr>
</tbody>
</table>

Our labor costs primarily consists of salaries, welfare and other benefits for our administrative staff. Our professional and consultation fees primarily represent the fees paid to professionals, such as legal advisors, intellectual property agents, accounting firm and other professional services. Others include depreciation and amortization, travel expenses, IT and office supplies expenses, rental and utilities expenses.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate.
FINANCIAL INFORMATION

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax is imposed.

United States

Under the laws of United States, our subsidiary incorporated in U.S. is subject to U.S. federal corporate income tax at a rate of 21%. It is also subject to state income tax in multiple states. We have no taxable income for the years ended December 31, 2021 and 2022, and therefore no provision for income taxes is required.

Hong Kong

Under the two-tiered profit tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and any profits above HK$2 million will be taxed at 16.5%. The profits of our subsidiaries that are not adopted for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

PRC

Our subsidiaries established and operated in the PRC are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (the “EIT Law”). Pursuant to the EIT Law, our subsidiaries are generally subject to EIT at the statutory rate of 25%.

United Arab Emirates

Under the laws of United Arab Emirates, our subsidiary incorporated in the United Arab Emirates is not subject to tax on income or capital gains.

Other Regions

We are also subject to corporate income tax in other jurisdictions. Income tax on profit arising from other jurisdictions, including Taiwan and Canada had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 8% to 20%.

NON-IFRS MEASURE

To supplement our financial statements that are presented in accordance with IFRS, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance as they were certain unusual, non-recurring, non-cash and/or non-operating items. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.
We recorded adjusted loss of US$42.9 million for 2021 and US$67.6 million for 2022. We define adjusted loss as loss for the year adjusted by adding back loss from changes in fair value of financial liabilities at FVTPL, share-based compensation expenses, loss on disposal a subsidiary and loss from changes in fair value of financial assets at FVTPL. The following table reconciles our adjusted loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years indicated:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (in thousands)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(130,505)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Loss from changes in fair value of financial liabilities at FVTPL</td>
<td>81,110</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>6,094</td>
</tr>
<tr>
<td>Loss on disposal a subsidiary</td>
<td>—</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial assets at FVTPL</td>
<td>443</td>
</tr>
<tr>
<td>Total</td>
<td>(42,858)</td>
</tr>
</tbody>
</table>

Loss from changes in fair value of financial liabilities at FVTPL represent the fair value changes of convertible redeemable preferred shares we issued. Such changes are non-cash in nature and are not directly related to our operating activities. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the [REDACTED], and no further loss or gain on fair value changes is expected to be recognized afterwards.

Share-based compensation expenses relate to the share awards we offered as well as the shares transferred from founder to our employees and consultants. Such expenses are non-cash in nature.

Loss on disposal a subsidiary represents the loss occurred when we dispose one of our subsidiaries in 2022. Such change is non-recurring in nature.

Loss from changes in fair value of financial assets at FVTPL represent the fair value loss of our investment in Endurance RP Limited, a listed company on the Stock Exchange (HKSE: 0575). Such change is not directly related to our operating activities.

**PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

**Year ended December 31, 2021 Compared to Year ended December 31, 2022**

**Revenue**

Our revenue increased from US$4.7 million for 2021 to US$30.1 million for 2022. Our revenue generated from drug discovery services increased from US$3.7 million for 2021 to US$28.6 million for 2022, which was primarily attributable to collaboration-related revenue stemming from upfront fees and development milestones in 2022. Our revenue generated from software solution services increased from US$1.0 million for 2021 to US$1.5 million for 2022, which was primarily attributable to subscription renewals of existing clients and subscriptions from new clients in 2022.

**Cost of Services**

Our cost of services increased from nil for 2021 to US$11.0 million for 2022. We recorded cost of sales of nil in 2021 because the costs related to drug discovery services were in small scale in 2021. In 2022, our external services significantly increased.
We recorded cost of sales of nil for our software solution services in 2021 and 2022 because our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our AI software platform. Therefore, these costs were included in our research and development expenses.

**Gross Profit and Gross Profit Margin**

As a result of the changes in our revenue and cost of services described above, our gross profit increased from US$4.7 million for 2021 to US$19.1 million for 2022, which was primarily attributable to the achievement of collaboration milestones. For the same periods, our gross profit margin changed from 100% for 2021 to 63.4% for 2022.

Our gross profit generated from drug discovery services increased from US$3.7 million for 2021 to US$17.6 million for 2022, which was primarily attributable to the achievement of collaboration milestones in 2022. For the same periods, gross profit margin for our drug discovery services was 100.0% and 61.5%, respectively.

Our gross profit generated from software solution services increased from US$1.0 million for 2021 to US$1.5 million for 2022, which was primarily attributable to the increased subscription of our software solution. For the same periods, gross profit margin for our software solutions services remained unchanged.

**Other income**

Our other income increased from US$5 thousand for 2021 to US$275 thousand for 2022, which was primarily attributable to increased interests generated from our bank deposits in 2022.

**Other Gains and Losses, Net**

Our other losses, net, increased from US$81.7 million for 2021 to US$141.9 million for 2022, which was primarily attributable to an increase in loss from changes in fair value of financial liabilities at FVTPL due to the increase in the value of our preferred shares and loss on disposal of a subsidiary in 2022.

**Selling and Marketing Expenses**

Our selling and marketing expenses increased from US$1.3 million for 2021 to US$5.4 million for 2022, which as primarily attributable to the increase in (i) labor costs from US$0.7 million to US$2.8 million, (ii) the increase in share-based compensation from US$0.2 million to US$1.4 million and (iii) other expense from US$75 thousand to US$0.7 million as we expanded our business development team and our selling and marketing efforts in 2022.

**Research and Development Expenses**

Our research and development expenses increased from US$38.5 million for 2021 to US$78.2 million for 2022, which was primarily attributable to the increase in third-party contracting costs paid to CROs and CDMOs from US$27.6 million in 2021 to US$53.8 million in 2022 and the increase in labor costs from US$7.8 million in 2021 to US$16.0 million in 2022 which is in line with the expansion of our pipeline. Our research and development expenses incurred for our Core Product were US$3.6 million and US$9.3 million in 2021 and 2022, respectively.

**Administrative Expenses**

Our administrative expenses increased from US$13.7 million for 2021 to US$15.4 million for 2022, which was primarily attributable to the increase in labor costs from US$4.8 million in 2021 to US$5.6 million in 2022 which is in line with the expansion of our business, including into new geographies coverage.
FINANCIAL INFORMATION

Finance Costs

Our finance costs increased from US$36 thousand for 2021 to US$99 thousand for 2022, which was primarily attributable to the increase in interest on lease liabilities as we entered into new lease contracts in 2022 for the expansion of our offices.

Income Tax

Our income tax was nil for 2021 and US$13 thousand for 2022.

Loss for the year

As a result of the above, we had loss for the year of US$130.5 million for 2021 and US$221.8 million for 2022.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report set out in Appendix I to this Document:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021 (in thousands)</th>
<th>As of December 31, 2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-current assets</td>
<td>3,972</td>
<td>16,035</td>
</tr>
<tr>
<td>Total current assets</td>
<td>165,191</td>
<td>218,751</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>169,163</strong></td>
<td><strong>234,786</strong></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>410,362</td>
<td>682,488</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>410,804</strong></td>
<td><strong>684,329</strong></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(11,462)</td>
<td>(11,346)</td>
</tr>
<tr>
<td>Share premium and reserves</td>
<td>(230,179)</td>
<td>(438,197)</td>
</tr>
<tr>
<td><strong>Total deficits</strong></td>
<td><strong>(241,641)</strong></td>
<td><strong>(449,543)</strong></td>
</tr>
</tbody>
</table>
FINANCIAL INFORMATION

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
<th>As of December 31, 2022</th>
<th>As of April 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ (in thousands)</td>
<td>US$ (in thousands)</td>
<td>US$ (in thousands)</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,650</td>
<td>10,868</td>
<td>8,654</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>161,541</td>
<td>207,883</td>
<td>173,257</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>165,191</td>
<td>218,751</td>
<td>181,911</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>5,796</td>
<td>18,495</td>
<td>10,112</td>
</tr>
<tr>
<td>Amount due to a related party</td>
<td>2,582</td>
<td>8,422</td>
<td>9,570</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>666</td>
<td>1,382</td>
<td>1,418</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>401,140</td>
<td>648,978</td>
<td>648,978</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>178</td>
<td>5,211</td>
<td>5,787</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>410,362</td>
<td>682,488</td>
<td>675,865</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td>245,171</td>
<td>463,737</td>
<td>493,954</td>
</tr>
</tbody>
</table>

We had net current liabilities of US$494.0 million as of April 30, 2023, compared to net current liabilities of US$463.7 million as of December 31, 2022. The change was primarily due to a decrease in bank balances and cash from US$207.9 million to US$173.3 million and an increase in amount due to a related party from US$8.4 million to US$9.6 million, which was offset by a decrease in trade and other payables from US$18.5 million to US$10.1 million.

We had net current liabilities of US$463.7 million as of December 31, 2022, compared to net current liabilities of US$245.2 million as of December 31, 2021. The change was primarily due to an increase in financial liabilities at FVTPL from US$401.1 million to US$649.0 million and an increase in trade and other payables from US$5.8 million to US$18.5 million, which was partially offset by an increase in bank balances and cash from US$161.5 million to US$207.9 million.

Trade and Other Receivables

Our trade receivables primarily represent the balances due from certain customers. We generally allow for a credit period of up to one month or a particular period agreed with customers effective from the date when the services have been completed and billed to the customer. We consider a number of factors in determining the credit term of a customer, including its nature (public institutes or private companies), cash flow conditions and creditworthiness. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing. Our other receivables mainly consist of good and services tax and prepayments to service providers. Our prepaid expenses present advanced payments for goods, services and rent. Our prepayments present payments that are already paid before its official due or expense over a certain period, and deferred share issue costs were related to financing activities in 2022 that are already paid.
FINANCIAL INFORMATION

The following table sets forth our trade and other receivables as of the dates indicated:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021 (in thousands)</th>
<th>As of December 31, 2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables from contracts with customers - third parties</td>
<td>944</td>
<td>5,169</td>
</tr>
<tr>
<td>Less: Allowance for credit losses</td>
<td>(39)</td>
<td>(273)</td>
</tr>
<tr>
<td></td>
<td><strong>905</strong></td>
<td><strong>4,896</strong></td>
</tr>
<tr>
<td>Other receivables</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>46</td>
<td>–</td>
</tr>
<tr>
<td>Value added tax recoverable</td>
<td>193</td>
<td>1,420</td>
</tr>
<tr>
<td>Prepayments</td>
<td>630</td>
<td>819</td>
</tr>
<tr>
<td>Deferred share issue costs</td>
<td>1,874</td>
<td>3,726</td>
</tr>
<tr>
<td>Total</td>
<td><strong>2,743</strong></td>
<td><strong>5,965</strong></td>
</tr>
<tr>
<td></td>
<td><strong>3,650</strong></td>
<td><strong>10,868</strong></td>
</tr>
</tbody>
</table>

Our trade receivables from contracts with customers increased from US$0.9 million as of December 31, 2021 to US$5.2 million as of December 31, 2022, which was primarily attributable to the achievement of collaboration milestones.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or disagreements with our customers in relation to the timing, amounts of billing or the collection of our trade and other receivables.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectivity, taking into account the historical loss patterns of our customers. We did not record material provision for impairment of trade receivables during the Track Record Period.

The following table sets forth our trade receivables turnover days for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31, 2021</th>
<th>For the year ended December 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average trade receivables turnover days(1)</td>
<td>42</td>
<td>37</td>
</tr>
</tbody>
</table>

Note:

(1) Trade receivable turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by 365 days for the full-year period.

The average trade receivables turnover days were 42 days and 37 days for 2021 and 2022, respectively. The turnover days are related to our revenue recognition and account receivable collection procedure. The decrease in average trade receivables days for 2022 was due to our active collection of trade receivables in 2022.
The following table sets forth the aging analysis of trade debtors based on the invoice date and net of loss allowance as of the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31, 2021</th>
<th>For the year ended December 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ (in thousands)</td>
<td>US$</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>833</td>
<td>4,872</td>
</tr>
<tr>
<td>1-2 years</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td>2-3 years</td>
<td>72</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>905</td>
<td>4,896</td>
</tr>
</tbody>
</table>

As of April 30, 2023, US$2.5 million, representing 48.1% of the US$5.2 million trade receivables outstanding as of December 31, 2022, were subsequently settled.

Bank Balances and Cash

Our bank balances and cash were US$161.5 million, US$207.9 million and US$173.3 million as of December 31, 2021, as of December 31, 2022, and as of April 30, 2023, respectively, primarily consisting of time deposits with original maturity of less than one year when acquired. The increase was mainly attributable to proceeds we received from Series C+, Series D1 and Series D2 fundings and upfront payment of US$25.5 million from Fosun and Sanofi pursuant to the collaboration agreements with them.

Trade and Other Payables

Our trade and other payables primarily consist of trade payables for research and development expenses, payroll and related liabilities, professional service fees and share issue costs and accrued office expenses. Trade payables mainly consist of balances due to our trade payables for research and development expenses, payroll and related liabilities, and professional service fees and share issue costs. The professional service fees and deferred share issue costs were related to financing activities in 2022. The following table sets forth our trade and other payables as of the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
<th>As of December 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ (in thousands)</td>
<td>US$</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables for research and development expenses</td>
<td>1,365</td>
<td>10,705</td>
</tr>
<tr>
<td>Payroll and related liabilities</td>
<td>1,453</td>
<td>3,780</td>
</tr>
<tr>
<td>Professional service fees and share issue costs</td>
<td>2,489</td>
<td>2,244</td>
</tr>
<tr>
<td>Deferred subsidies from a non-for-profit foundation</td>
<td>271</td>
<td>–</td>
</tr>
<tr>
<td>Accrued office expenses</td>
<td>157</td>
<td>991</td>
</tr>
<tr>
<td>Other taxes and surcharge</td>
<td>61</td>
<td>287</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>488</td>
</tr>
<tr>
<td>Total</td>
<td>5,796</td>
<td>18,495</td>
</tr>
</tbody>
</table>

The table below sets forth our average trade payables turnover days for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31, 2021</th>
<th>For the year ended December 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average trade payables turnover days (1)</td>
<td>32</td>
<td>65</td>
</tr>
</tbody>
</table>

Note:

(1) Trade payables turnover days for a year equals the arithmetic mean of the beginning and ending payables balances in trading nature and divided by cost related to CRO & CDMO and other drug discovery services related activities for that period multiplied by 365 days for the full-year period.
Our trade payables turnover days was 32 days for 2021 and 65 days for 2022, respectively. The increase in turnover days in 2022 compared to 2021 was due to longer credit period provided by several of our vendors.

The following table sets forth an aging analysis of the trade payables as of the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021 (US$ in thousands)</th>
<th>As of December 31, 2022 (US$ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30 days</td>
<td>1,121</td>
<td>6,891</td>
</tr>
<tr>
<td>31-90 days</td>
<td>244</td>
<td>1,969</td>
</tr>
<tr>
<td>91-180 days</td>
<td>–</td>
<td>1,535</td>
</tr>
<tr>
<td>181-360 days</td>
<td>–</td>
<td>310</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,365</strong></td>
<td><strong>10,705</strong></td>
</tr>
</tbody>
</table>

As of April 30, 2023, US$8.9 million, representing 83.2% of the US$10.7 million trade payables outstanding as of December 31, 2022, were subsequently settled.

**Contract Liabilities**

Our contract liabilities represent advance consideration received from customers for the unsatisfied performance obligation. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statements of financial position as contract liabilities. Our contract liabilities were US$0.2 million and US$5.2 million as of December 31, 2021 and December 31, 2022, respectively, which was primarily attributable to advance payments we received from certain customers.

As of April 30, 2023, US$0.7 million, representing 13.5% of the US$5.2 million contract liabilities as of December 31, 2022, were subsequently utilized.

**LIQUIDITY AND CAPITAL RESOURCES**

**Overview**

During the Track Record Period, we relied on capital contributions by our shareholders and operating revenues as the major sources of liquidity. As our business develops and expands, we expect to generate more net cash from our operating activities, through sales of our drug discovery and software solution services, as a result of the broader market acceptance of our existing services and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

With respect to cash management, our objective is to optimize liquidity to secure a stable return for Shareholders in a risk-averse manner. Specifically, we have policies in place to monitor and manage the settlement of trade receivables. When determining the credit term of a customer, we consider a number of factors, including its cash flow conditions and creditworthiness. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer’s financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer in the respective period.
FINANCIAL INFORMATION

Cash Flows

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

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(130,505)</td>
</tr>
<tr>
<td>Operating cash flows before movements in working capital</td>
<td>(41,922)</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>3,852</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(38,070)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,051)</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>179,409</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>140,288</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes</td>
<td>(171)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>161,541</td>
</tr>
</tbody>
</table>

Net Cash Used in Operating Activities

For 2021, our net cash used in operating activities was US$38.1 million, which was adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include loss from changes in fair value of financial liabilities at FVTPL of US$81.1 million and share-based payment expenses of US$6.1 million. The amount was then further adjusted by changes in working capital, primarily including increase in trade and other payables of US$5.7 million.

For 2022, our net cash used in operating activities was US$47.5 million, which was adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include loss from changes in fair value of financial liabilities at FVTPL of US$138.1 million, share-based payment expenses of US$12.9 million and loss from disposal of a subsidiary of US$2.2 million. The amount was then adjusted by changes in working capital, primarily including increase in trade and other payables of US$12.7 million, increase in amount due to a related party of US$5.8 million and increase in contract liabilities of US$5.0 million, which was offset by increase in trade and other receivables of US$5.9 million.

Net Cash Used in Investing Activities

For 2021, our net cash used in investing activities was US$1.1 million, which was primarily attributable to purchase of property and equipment of US$0.7 million related to office furnishing, equipment and electronic devices.

For 2022, our net cash used in investing activities was US$13.6 million, which was primarily attributable to purchase of property and equipment of US$11.0 million related to our robotics lab.

Net Cash from Financing Activities

For 2021, our net cash from financing activities was US$179.4 million, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of US$255.0 million, and partially offset by cash used for payment for repurchasing ordinary shares of US$47.3 million, payment for repurchasing convertible redeemable preferred shares of US$8.3 million and payment for redemption of redeemable preferred share of a subsidiary of US$19.4 million.
For 2022, our net cash from financing activities was US$107.1 million, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of US$109.7 million.

**WORKING CAPITAL SUFFICIENCY**

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Document:

- our future operating cash flows in respective periods;
- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated [REDACTED] from the [REDACTED].

Our cash burn rate refers to the average monthly net cash used in operating activities and capital expenditures. We had cash and cash equivalents of US$207.9 million as of December 31, 2022. We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED] in this Document. Assuming an average cash burn rate going forward of [2.0] times the level in 2022, we estimate that our cash and cash equivalents as of December 31, 2022 will be able to maintain our financial viability for [21] months or, if we take into account the estimated [REDACTED] from the [REDACTED], [REDACTED]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.
FINANCIAL INFORMATION

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated.

<table>
<thead>
<tr>
<th>Research and Development for Core Product</th>
<th>For the year ended December 31, 2021 US$ (in thousands)</th>
<th>For the year ended December 31, 2022 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs</td>
<td>424</td>
<td>787</td>
</tr>
<tr>
<td>Third-party contracting cost - Clinical trial expenses</td>
<td>756</td>
<td>5,060</td>
</tr>
<tr>
<td>Third-party contracting cost - Preclinical study costs</td>
<td>2,381</td>
<td>3,366</td>
</tr>
<tr>
<td>Others</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,583</strong></td>
<td><strong>9,257</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research and Development for AI Software Platform</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs</td>
<td>3,582</td>
<td>5,418</td>
</tr>
<tr>
<td>Third-party contracting costs</td>
<td>362</td>
<td>1,665</td>
</tr>
<tr>
<td>Others</td>
<td>171</td>
<td>270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,115</strong></td>
<td><strong>7,353</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research and Development for Other Product Candidates</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs</td>
<td>3,251</td>
<td>8,005</td>
</tr>
<tr>
<td>Third-party contracting costs</td>
<td>21,087</td>
<td>28,506</td>
</tr>
<tr>
<td>Others</td>
<td>276</td>
<td>537</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,614</strong></td>
<td><strong>37,048</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Employment Costs (1)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,412</td>
<td>4,120</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total Cash Operating Costs</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>37,818</td>
<td>75,339</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
(1) Workforce employment costs include non-R&D staff salaries and compensation benefits.
(2) Others include costs related to drug discovery services and professional services.

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>666</td>
<td>1,382</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>401,140</td>
<td>648,978</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>442</td>
<td>1,841</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>402,248</strong></td>
<td><strong>652,201</strong></td>
</tr>
</tbody>
</table>

*Note: This amount is consideration received for preferred shares as of April 30, 2023.
Lease Liabilities

We recognized total lease liabilities of US$1.1 million, US$3.2 million and US$2.8 million as of December 31, 2021, December 31, 2022 and April 30, 2023, respectively, which are secured by rental deposit but not guaranteed. The increase in lease liabilities over these periods is primarily attributable to the new lease contracts we entered into for the expansion of our offices. For further information regarding our lease liabilities, see Note 25 to the Accountants’ Report in Appendix I to this Document.

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and low value assets. The following table sets forth our lease liabilities for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
<th>As of December 31, 2022</th>
<th>As of April 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$’000</td>
<td>US$’000</td>
<td>US$ (unaudited)</td>
</tr>
<tr>
<td>Lease liabilities payable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>666</td>
<td>1,382</td>
<td>1,418</td>
</tr>
<tr>
<td>Within a period of more than one year but not exceeding two years</td>
<td>372</td>
<td>1,173</td>
<td>944</td>
</tr>
<tr>
<td>Within a period of more than two years but not exceeding five years</td>
<td>70</td>
<td>668</td>
<td>414</td>
</tr>
<tr>
<td></td>
<td>1,108</td>
<td>3,223</td>
<td>2,776</td>
</tr>
<tr>
<td>Less: Amount due for settlement within 12 months shown as current liabilities</td>
<td>(666)</td>
<td>(1,382)</td>
<td>(1,418)</td>
</tr>
<tr>
<td>Amount due for settlement after 12 months shown as non-current liabilities</td>
<td>442</td>
<td>1,841</td>
<td>1,358</td>
</tr>
</tbody>
</table>

Financial Liabilities at FVTPL

As of December 31, 2021 and 2022, we had financial liabilities at FVTPL of US$401.1 million and US$649.0 million, respectively. As of April 30, 2023, we had financial liabilities at FVTPL of US$404.7 representing the consideration received for preferred shares. For more details, please see Note 26 to the Accountants’ Report included in Appendix I to this Document.

Except as disclosed in the financial indebtedness table above, as of the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Our Directors have confirmed that since December 31, 2022 and up to Latest Practicable Date, there had been no material adverse change in our indebtedness.
CAPITAL EXPENDITURES

We regularly make capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. The following table sets forth our capital expenditures for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>677</td>
<td>10,978</td>
</tr>
<tr>
<td>Purchase of other intangible assets</td>
<td>228</td>
<td>242</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>905</strong></td>
<td><strong>11,220</strong></td>
</tr>
</tbody>
</table>

The significant increase in purchase of property and equipment from US$0.7 million in 2021 to US$11.0 million in 2022 related to the construction and materials for our robotics lab in Suzhou, China. We expect to finance such capital expenditures through a combination of operating cash flows and [REDACTED]. For more details, see “Future Plans and Use of [REDACTED].” We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors, we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2021 and December 31, 2022, we had capital commitments of US$6.2 million and US$2.5 million, respectively, primarily in connection with our capital expenditure in acquisition of intangible assets and equipment and construction of our robotics lab in Suzhou, China.

CONTINGENT LIABILITIES

As of December 31, 2022, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>40.3</td>
<td>32.1</td>
</tr>
</tbody>
</table>

*Note: Current ratio equals current assets divided by current liabilities as of the end of the year/period.*

Our current ratio was 32.1% for 2022. Our current ratio decreased for 2022 compared to that for 2021, primarily due to an increase in trade and other payables, amount due to a related party and contract liabilities.
FINANCIAL INFORMATION

MATERIAL RELATED-PARTY TRANSACTIONS

The below table sets forth material transactions between us and our related parties during the Track Record Period.

<table>
<thead>
<tr>
<th>Purchases of CRO services from:</th>
<th>For the year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuxi Group</td>
<td></td>
<td>12,899</td>
<td>20,611</td>
</tr>
</tbody>
</table>

Revenue from drug discovery, software licensing services to:

| Juvenscence UK Ltd. | 500 | — |

The below table sets forth outstanding balances with related parties as of the dates indicated.

<table>
<thead>
<tr>
<th>Trade payables — amount due to a related party</th>
<th>For the year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuxi Group</td>
<td></td>
<td>2,582</td>
<td>8,422</td>
</tr>
</tbody>
</table>

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm’s-length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. The amounts are trade in nature. Details of our transactions with related parties during the Track Record Period are set out in Note 32 to the Accountants’ Report included in Appendix I to this Document.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below.

Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our receivables from customers. The carrying amounts of trade receivables, other receivables, bank balances included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to its financial assets.
The tables below detail the credit risk exposures of our financial assets, which are subject to ECL assessment:

<table>
<thead>
<tr>
<th>Financial assets at amortized cost</th>
<th>Notes</th>
<th>Internal credit rating</th>
<th>12m or lifetime ECL</th>
<th>Gross carrying amount (in US$ thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables and other receivables</td>
<td>21</td>
<td>Low risk</td>
<td>Lifetime ECL/12m ECL</td>
<td>As at December 31, 2021 As at December 31, 2022</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>20</td>
<td>Low risk</td>
<td>12m ECL</td>
<td>946 5,176</td>
</tr>
<tr>
<td>Bank balances</td>
<td>23</td>
<td>N/A</td>
<td>12m ECL</td>
<td>161,541 207,883</td>
</tr>
</tbody>
</table>

We do not hold any collateral or other credit enhancements to cover its credit risks associated with our financial assets. For further details, see Note 35 to the Accountants’ Report set out in Appendix I to this Document.

**Liquidity Risk**

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our objective when managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on issuance of preferred shares and ordinary shares as significant sources of liquidity. Our directors are satisfied that we will have sufficient financial resources to meet our financial obligation as they fall due and to sustain its operations for the foreseeable future. For further details, including relevant sensitivity analysis, please see Note 35 to the Accountants’ Report set out in Appendix I to this Document.

**Interest Rate Risk**

We are primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to bank balances. We currently do not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

We consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

**Currency Risk**

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For further details, including relevant sensitivity analysis, please see Note 35 to the Accountants’ Report set out in Appendix I to this Document.
FINANCIAL INFORMATION

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in general meeting, and will depend on a number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business (i.e., the solvency test as provided in the Cayman Companies Act). As advised by our Cayman counsel, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that we satisfy the solvency test set out in the Cayman Companies Act. There is no assurance that dividends of any amount will be declared to be distributed in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2022, we did not have any distributable reserves.

[REDACTED]

The total [REDACTED] payable by our Company are estimated to be approximately HK$[REDACTED] assuming the [REDACTED] is not exercised and based on an [REDACTED] of HK$[REDACTED] (being the mid-point of our [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]). These [REDACTED] mainly comprise legal and other professional fees paid and payable to the professional parties, [REDACTED] payable to the [REDACTED], and printing and other expenses for their services rendered in relation to the [REDACTED] and the [REDACTED].

For 2021 and 2022, we incurred [REDACTED] for the [REDACTED] of [REDACTED] and [REDACTED], respectively. We estimate that additional [REDACTED] of approximately US$[REDACTED] (including [REDACTED] and other expenses, assuming the [REDACTED] is not exercised and based on the mid-point of our [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]) will be incurred by us, approximately US$[REDACTED] of which is expected to be charged to our consolidated statements of profit or loss, and approximately US$[REDACTED] of which is expected to be capitalized.

[REDACTED]
FINANCIAL INFORMATION

[REDACTED]
FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2022, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For further details of our future plans, see “Business – Our Strategies.”

USE OF [REDACTED]

We estimate that the aggregate net [REDACTED] to our Company from the [REDACTED] (after deducting [REDACTED] and other estimated expenses in connection with the [REDACTED] paid and payable by us taking into account any additional discretionary incentive fee and assuming that the [REDACTED] is not exercised and an [REDACTED] of HK$[REDACTED] per Share, being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share) will be approximately HK$[REDACTED] (US$[REDACTED]). We currently intend to apply such [REDACTED] we will receive from this [REDACTED] for the following purposes:

(a) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) to fund further clinical research and development of our Core Product:

(i) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the research and development of ISM001-055, also known as INS018_055, for an IPF indication. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055. This trial is conducted at sites in the U.S. and China and will evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. We initiated the China site clinical trials under the NMPA umbrella approval in April 2023. We filed an IND application with the FDA for U.S. site approval in February 2023 and received the IND approval for ISM001-055 in June 2023. After successfully completing the Phase IIa study, we intend to initiate Phase Iib and Phase III studies for ISM001-055 for the IPF indication. For more details, see “Business – Clinical and IND-enabling Stage Candidates – Core Product ISM001-055 – Clinical Development Plan.”

(ii) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the research and development of ISM001-055 for inhalation administration for IPF.

(iii) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the research and development of ISM001-055 for a kidney fibrosis indication.

(b) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) to fund the research and development of our other pipeline drug candidates:

(i) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the continued research and development of ISM3091 which targets USP1 and has the potential to treat HRD-related cancers. ISM3091 is currently in IND-enabling studies and we expect to initiate a multicenter Phase I clinical trial in the U.S. and China in the second half of 2023.

(ii) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the continued research and development of ISM3312 which targets 3CLpro/Mpro and has the potential to treat COVID-19 and other coronaviruses. We received the IND approval for ISM3312 in February 2023 from the NMPA, and initiated the Phase I clinical trial in China in March 2023.

(iii) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used to fund the continued research and development of ISM8207 which targets QPCTL
has potential applications in cancer immunotherapy. In collaboration with Fosun, we applied for pre-IND communication with the Center for Drug Evaluation (“CDE”) and filed an IND application in April 2023. Together with Fosun, we are planning to initiate a first-in-human, open-label, multi-center Phase I study in China to evaluate the safety, tolerability, PK/pharmacodynamics and preliminary anticancer activity of ISM8207 in subjects with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies in the second half of 2023.

(iv) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used for the preclinical evaluation and clinical development of our remaining pipeline products.

(c) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) for the further development and expansion of our robotics lab. We plan to utilize our next generation robotics lab to generate valuable real-world experimental data to further train and validate our AI models. Our Pharma.AI platform generates predicted omics data/responses, then designs wet lab experiments to be carried out automatically in our robotics lab. The result of these experiments will help us validate whether the initial predictions by our platform were correct and thus help us train the AI models. We will work to optimize the design of the Life Star 1 to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs.

(d) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) for development of new generative AI models and the associated validation work. The allocation is expected to be used to retain and recruit AI talent, perform wet lab validation of our AI models and purchase commercially available datasets.

(e) approximately HK$[REDACTED] (or approximately [REDACTED]% of the [REDACTED]) will be used for working capital and other general corporate purposes.

If the [REDACTED] is exercised in full, the [REDACTED] of the [REDACTED] would increase to approximately HK$[REDACTED] (US$[REDACTED]) (based on the mid-point [REDACTED] of HK$[REDACTED] per Share). We intend to apply the additional [REDACTED] to the above uses in the proportions stated above.

The allocation of the [REDACTED] used for the above will be adjusted in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range. If the [REDACTED] is fixed at HK$[REDACTED] per Share, being the high end of the stated [REDACTED] range, our [REDACTED] will (i) assuming the [REDACTED] is not exercised, be increased by approximately HK$[REDACTED] (US$[REDACTED]), or (ii) assuming the [REDACTED] is exercised in full, be increased by approximately HK$[REDACTED] (US$[REDACTED]). In such circumstances, we currently intend to use such additional [REDACTED] to increase the [REDACTED] applied for the same purposes as set out above on a pro rata basis. If the [REDACTED] is fixed at HK$[REDACTED] per Share, being the low end of the stated [REDACTED] range, our [REDACTED] will (i) assuming the [REDACTED] is not exercised, be decreased by approximately HK$[REDACTED] (US$[REDACTED]), or (ii) assuming the [REDACTED] is exercised in full, be decreased by approximately HK$[REDACTED] (US$[REDACTED]). In such circumstances, we currently intend to reduce the [REDACTED] applied for the same purposes as set out above on a pro rata basis.

To the extent that our [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.
FUTURE PLANS AND USE OF [REDACTED]

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with banks in Hong Kong or China.

We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED].
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
STRUCTURE OF THE [REDACTED]

[REDACTED]
STRUCTURE OF THE [REDACTED]

[REDACTED]
STRUCTURE OF THE [REDACTED]

[REDACTED]
STRUCTURE OF THE [REDACTED]

[REDACTED]
STRUCTURE OF THE [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
HOW TO APPLY FOR [REDACTED]

[REDACTED]
The following is the text of a report set out on pages I-1 to I-[71], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INSILICO MEDICINE CAYMAN TOPCO, MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of InSilico Medicine Cayman TopCo (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-[71], which comprises the consolidated statements of financial position of the Group as at December 31, 2021 and 2022, the statements of financial position of the Company as at December 31, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-[71] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
APPENDIX I

ACCOUNTANTS’ REPORT

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at December 31, 2021 and 2022, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[REDACTED]
APPENDIX I ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in United States dollar (“USD”) and all values are rounded to the nearest thousand (USD’000) except when otherwise indicated.
### APPENDIX I

**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Description</th>
<th>USD’000 2021</th>
<th>USD’000 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Revenue</td>
<td>4,713</td>
<td>30,147</td>
</tr>
<tr>
<td></td>
<td>Cost of services</td>
<td>–</td>
<td>(11,037)</td>
</tr>
<tr>
<td></td>
<td>Gross Profit</td>
<td>4,713</td>
<td>19,110</td>
</tr>
<tr>
<td></td>
<td>Impairment losses under expected credit loss (“ECL”) model, net of reversal</td>
<td>(34)</td>
<td>(234)</td>
</tr>
<tr>
<td></td>
<td>Selling and marketing expenses</td>
<td>(1,293)</td>
<td>(5,375)</td>
</tr>
<tr>
<td></td>
<td>Research and development expenses</td>
<td>(38,489)</td>
<td>(78,175)</td>
</tr>
<tr>
<td></td>
<td>Administrative expenses</td>
<td>(13,680)</td>
<td>(15,442)</td>
</tr>
<tr>
<td>8</td>
<td>Other income</td>
<td>5</td>
<td>275</td>
</tr>
<tr>
<td>9</td>
<td>Other gains and losses, net</td>
<td>(81,691)</td>
<td>(141,875)</td>
</tr>
<tr>
<td>10</td>
<td>Finance costs</td>
<td>(36)</td>
<td>(99)</td>
</tr>
<tr>
<td>11</td>
<td>Loss before tax</td>
<td>(130,505)</td>
<td>(221,815)</td>
</tr>
<tr>
<td>12</td>
<td>Income tax expense</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>13</td>
<td>Loss for the year</td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>14</td>
<td>Loss per share</td>
<td>[(1.31)]</td>
<td>[(3.31)]</td>
</tr>
</tbody>
</table>

**Other comprehensive (expense) income**

*Item that may be reclassified subsequently to profit or loss:*

<table>
<thead>
<tr>
<th>Description</th>
<th>USD’000 2021</th>
<th>USD’000 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences arising on translation of foreign operations</td>
<td>(27)</td>
<td>794</td>
</tr>
<tr>
<td><strong>Total comprehensive expenses for the year</strong></td>
<td>(130,532)</td>
<td>(221,034)</td>
</tr>
</tbody>
</table>

- Basic and diluted (USD)
## APPENDIX I

### ACCOUNTANTS’ REPORT

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Notes</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>16</td>
<td>624</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>17</td>
<td>1,056</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss (“FVTPL”)</td>
<td>19</td>
<td>2,063</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>20</td>
<td>174</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,972</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>3,650</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>23</td>
<td>161,541</td>
</tr>
<tr>
<td></td>
<td></td>
<td>165,191</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>24</td>
<td>5,796</td>
</tr>
<tr>
<td>Amount due to a related party</td>
<td>22</td>
<td>2,582</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>25</td>
<td>666</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>26</td>
<td>401,140</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>6</td>
<td>178</td>
</tr>
<tr>
<td></td>
<td></td>
<td>410,362</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td></td>
<td>(245,171)</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td>(241,199)</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>25</td>
<td>442</td>
</tr>
<tr>
<td><strong>Net liabilities</strong></td>
<td></td>
<td>(241,641)</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>27</td>
<td>-*-</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>28</td>
<td>(11,462)</td>
</tr>
<tr>
<td>Share premium and reserves</td>
<td></td>
<td>(230,179)</td>
</tr>
<tr>
<td><strong>Total deficits</strong></td>
<td></td>
<td>(241,641)</td>
</tr>
</tbody>
</table>

* Amount is less than USD1,000.
## APPENDIX I
### ACCOUNTANTS’ REPORT

### STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

<table>
<thead>
<tr>
<th>Notes</th>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>18</td>
<td>16,312</td>
<td>48,761</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>1,874</td>
<td>3,726</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>23</td>
<td>143,867</td>
<td>149,132</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>24</td>
<td>1,907</td>
<td>1,859</td>
</tr>
<tr>
<td>Amounts due to subsidiaries</td>
<td>22</td>
<td>647</td>
<td>325</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>26</td>
<td>401,140</td>
<td>648,978</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>27</td>
<td>-*</td>
<td>-*</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>28</td>
<td>(11,462)</td>
<td>(11,346)</td>
</tr>
<tr>
<td>Share premium and reserves</td>
<td>29</td>
<td>(230,179)</td>
<td>(438,197)</td>
</tr>
<tr>
<td><strong>Total deficits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Amount is less than USD1,000.
### APPENDIX I ACCOUNTANTS’ REPORT

#### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Treasury shares</th>
<th>Share-based payments reserve</th>
<th>Other reserve</th>
<th>Foreign exchange reserve</th>
<th>Accumulated losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>–*</td>
<td>13,477</td>
<td>–</td>
<td>3,122</td>
<td>2,635</td>
<td>(157)</td>
<td>(89,404)</td>
</tr>
<tr>
<td>Loss and total other comprehensive expenses for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(27)</td>
<td>(130,505)</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>–*</td>
<td>434</td>
<td>–</td>
<td>(269)</td>
<td>269</td>
<td>–</td>
<td>434</td>
</tr>
<tr>
<td>Restricted shares granted through the ordinary shares contributed by the Founder (Note 28)</td>
<td>–</td>
<td>(12,489)</td>
<td>–</td>
<td>12,489</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Vested restricted shares from the ordinary shares contributed by the Founder</td>
<td>–</td>
<td>–</td>
<td>1,027</td>
<td>(1,027)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Recognition of share-based compensation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,094</td>
<td>–</td>
<td>–</td>
<td>6,094</td>
</tr>
<tr>
<td>Repurchase of ordinary shares (Note 26)</td>
<td>–*</td>
<td>(13,911)</td>
<td>–</td>
<td>(7,920)</td>
<td>(15,393)</td>
<td>–</td>
<td>(10,086)</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>–*</td>
<td>–</td>
<td>(11,462)</td>
<td>–</td>
<td>(184)</td>
<td>(229,995)</td>
<td>(241,641)</td>
</tr>
<tr>
<td>Profit (Loss) and total other comprehensive income (expense) for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>794</td>
<td>(221,828)</td>
<td>(221,034)</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>–*</td>
<td>208</td>
<td>–</td>
<td>(136)</td>
<td>136</td>
<td>–</td>
<td>208</td>
</tr>
<tr>
<td>Restricted shares granted through the ordinary shares contributed by the Founder (Note 28)</td>
<td>–</td>
<td>–</td>
<td>(1,633)</td>
<td>–</td>
<td>1,633</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Vested restricted shares from the ordinary shares contributed by Founder</td>
<td>–</td>
<td>–</td>
<td>1,749</td>
<td>(1,749)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Recognition of share-based compensation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,924</td>
<td>–</td>
<td>–</td>
<td>12,924</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>–*</td>
<td>208</td>
<td>(11,346)</td>
<td>11,039</td>
<td>1,769</td>
<td>610</td>
<td>(451,823)</td>
</tr>
</tbody>
</table>

* Amount is less than USD1,000.
## APPENDIX I  
ACCOUNTANTS’ REPORT

### CONSOLIDATED STATEMENTS OF CASH FLOWS

#### OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Loss for the year</td>
<td></td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>(4)</td>
<td>(219)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>36</td>
<td>99</td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td></td>
<td>245</td>
<td>438</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td></td>
<td>426</td>
<td>1,086</td>
</tr>
<tr>
<td>Amortization of other intangible assets</td>
<td></td>
<td>62</td>
<td>252</td>
</tr>
<tr>
<td>Impairment losses under expected credit loss (“ECL”) model, net of reversal</td>
<td></td>
<td>34</td>
<td>234</td>
</tr>
<tr>
<td>Share-based payment expenses</td>
<td></td>
<td>6,094</td>
<td>12,924</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td></td>
<td>136</td>
<td>571</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Gain on termination of lease</td>
<td></td>
<td>–</td>
<td>(19)</td>
</tr>
<tr>
<td>Loss from disposal of a subsidiary</td>
<td></td>
<td>–</td>
<td>2,189</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial assets at FVTPL</td>
<td></td>
<td>443</td>
<td>1,038</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial liabilities at FVTPL</td>
<td></td>
<td>81,110</td>
<td>138,100</td>
</tr>
<tr>
<td>Operating cash flow before movements in working capital</td>
<td></td>
<td>(41,922)</td>
<td>(65,135)</td>
</tr>
<tr>
<td>Increase in trade and other receivables</td>
<td></td>
<td>(3,260)</td>
<td>(5,947)</td>
</tr>
<tr>
<td>Increase in trade and other payables</td>
<td></td>
<td>5,716</td>
<td>12,692</td>
</tr>
<tr>
<td>Increase in amount due to a related party</td>
<td></td>
<td>1,721</td>
<td>5,840</td>
</tr>
<tr>
<td>(Decrease) increase in contract liabilities</td>
<td></td>
<td>(325)</td>
<td>5,033</td>
</tr>
<tr>
<td><strong>NET CASH USED IN OPERATING ACTIVITIES</strong></td>
<td></td>
<td>(38,070)</td>
<td>(47,517)</td>
</tr>
</tbody>
</table>

#### INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Bank interest received</td>
<td></td>
<td>4</td>
<td>219</td>
</tr>
<tr>
<td>Payments for lease deposits</td>
<td></td>
<td>(150)</td>
<td>(364)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td></td>
<td>(677)</td>
<td>(10,978)</td>
</tr>
<tr>
<td>Purchase of other intangible assets</td>
<td></td>
<td>(228)</td>
<td>(242)</td>
</tr>
<tr>
<td>Net cash outflow on disposal of a subsidiary</td>
<td></td>
<td>–</td>
<td>(2,215)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td></td>
<td>(1,051)</td>
<td>(13,580)</td>
</tr>
</tbody>
</table>

#### FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td></td>
<td>(377)</td>
<td>(971)</td>
</tr>
<tr>
<td>Interests paid</td>
<td></td>
<td>(36)</td>
<td>(99)</td>
</tr>
<tr>
<td>Proceeds from issuance of convertible redeemable preferred shares</td>
<td></td>
<td>255,023</td>
<td>109,738</td>
</tr>
<tr>
<td>Deferred share issue costs paid</td>
<td></td>
<td>(610)</td>
<td>(1,728)</td>
</tr>
<tr>
<td>Payment for repurchasing ordinary shares</td>
<td></td>
<td>(47,310)</td>
<td>–</td>
</tr>
<tr>
<td>Payment for repurchasing convertible redeemable preferred shares</td>
<td></td>
<td>(8,282)</td>
<td>–</td>
</tr>
<tr>
<td>Payment for redemption of redeemable preferred share of a subsidiary</td>
<td></td>
<td>(19,433)</td>
<td>–</td>
</tr>
<tr>
<td>Net proceeds from issuance of ordinary shares upon exercise of options</td>
<td></td>
<td>434</td>
<td>208</td>
</tr>
<tr>
<td><strong>NET CASH FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td>179,409</td>
<td>107,148</td>
</tr>
</tbody>
</table>

#### NET INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td></td>
<td>140,288</td>
<td>46,051</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</td>
<td></td>
<td>21,424</td>
<td>161,541</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes</td>
<td></td>
<td>(171)</td>
<td>291</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</strong></td>
<td></td>
<td>161,541</td>
<td>207,883</td>
</tr>
</tbody>
</table>
NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated under the laws of the Cayman Islands on November 19, 2018. The Group are primarily engaged in applying innovative artificial intelligence (AI) solutions to drug discovery and development by leveraging its proprietary platforms.

The Group commenced operations through InSilico Medicine Inc. (“Insilico Inc.”), a corporation established in Delaware, United States (“US”) in 2014 by Mr. Alex Zhavoronkov, Ph.D. (the “Founder”) and several investors (collectively referred to as the “Original Shareholders”). Insilico Inc. formed several subsidiaries in Russia, Hong Kong, Taiwan, Korea, and China to develop businesses.

From the end of 2018 through early 2019, the Group conducted a series of transactions to re-domicile the holding company from US to Cayman Islands (the “2019 Restructuring”) as follows:

On March 15, 2019, the Original Shareholders set up the Company with the shareholding ratio and shareholder rights and obligations in the Company that mirrored that of Insilico Inc. The Company then set up a subsidiary named InSilico Medicine Cayman Subco (“Subco”) and holds all ordinary shares issued by the Subco. Subco and Insilico Inc. entered into a master contribution agreement, pursuant to which Insilico Inc. transferred all of its assets and business operations to Subco in exchange for one preferred share issued by Subco. Upon the completion of the 2019 Restructuring, the Company became the holding company of the Group. As the 2019 Restructuring was a transaction under common ownership with no economic substance, it was accounted for in a manner similar to common control transaction with assets and liabilities recognized at their historical amount in the Group’s consolidated financial statements. The share and per share data relating to the ordinary shares issued by the Company during the 2019 Restructuring are presented as if the transactions occurred at the beginning of the first period presented.

In 2022, the Company disposed of all of its equity interest in InSilico LLC, a subsidiary set up in Russia on June 2, 2016 to an independent third party. The carrying value of net assets at the time of disposal was USD2,189,000 and the Company recognized loss of USD2,189,000 from the disposal as disclosed in Note 31.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

As at December 31, 2022, the Group is in a net liability position of approximately USD449.5 million in which the balance consists of financial liabilities at FVTPL of approximately USD649.0 million arising from the issuance of preferred shares by the Company. In addition, the Group’s current liabilities exceeded its current assets by approximately USD463.7 million which consists of bank balances and cash of approximately USD207.9 million. After taking into account of the Group’s cash flow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months and it is appropriate to prepare Historical Financial Information on a going concern basis.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the
IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2022 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

- **IFRS 17** Insurance Contracts\(^1\)
- Amendments to IFRS 10 and IFRS 12 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\(^2\)
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback\(^3\)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current\(^1\)
- Amendments to IAS 1 Non-current Liabilities with Covenants\(^3\)
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies\(^1\)
- Amendments to IAS 8 Definition of Accounting Estimates\(^1\)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction\(^1\)

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1. Effective for annual periods beginning on or after January 1, 2023
2. Effective for annual periods beginning on or after a date to be determined
3. Effective for annual periods beginning on or after January 1, 2024

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

4. **SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the following accounting policies which confirm with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market volunteers at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market volunteers would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*
For financial instruments which are transacted at fair value and a valuation technique that
unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique
is calibrated so that at initial recognition the results of the valuation technique equals the transaction
price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,
2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the
significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or
  liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are
  observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and its
subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate
that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and
ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a
subsidiary acquired or disposed of during the year are included in the consolidated statement of profit
or loss and other comprehensive income from the date the Group gains control until the date when the
Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their
accounting policies in line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to
transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company
accounted using equity method as described in IAS 28. Under the equity method, investment in
subsidiaries is initially recognized at cost and adjusted thereafter to recognize the Company’s share of
the profit or loss and other comprehensive income of the subsidiaries. Dividends received reduce the
carrying amount of the investment.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when
“control” of the services underlying the particular performance obligation is transferred to customer.
APPENDIX I

ACCOUNTANTS’ REPORT

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Except for granting of a license that is distinct from other promised services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

• the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

• the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or

• the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

For granting of a license that is distinct from other promised services, the nature of the Group’s promise in granting a license is a promise to provide a right to access the Group’s intellectual property if all of the following criteria are met:

• the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

• the rights granted by the license directly expose the customer to any positive or negative effects of the Group’s activities; and

• those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group’s intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

A contract asset represents the Group’s right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised
service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or services transferred to the customer to date (output method).

**Output method**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

**Input method**

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group’s performance in transferring control of services.

**Variable consideration**

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).
Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.
Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability represent the fixed payments of the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

• the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

• the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

• the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
APPENDIX I  ACCOUNTANTS’ REPORT

- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which there are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.
Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income.”

**Employee benefits**

**Retirement benefit costs**

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff’s wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

**Share-based payment**

**Equity-settled share-based payment transactions**

*Share options and restricted shares/share units granted to employees and others providing similar services*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options and restricted shares/share units that vest immediately at the date of grant, the fair value of the share options and restricted shares/share units granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When the restricted shares/share units are forfeited after the vesting date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When restricted shares/share units granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.
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*Modification to the terms and conditions of the share-based payment arrangements*

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit/(loss) before tax” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each liabilities for reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**Property and equipment**

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, including leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.
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Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets—research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

• the technical feasibility of completing the intangible asset so that it will be available for use or sale;
• the intention to complete the intangible asset and use or sell it;
• the ability to use or sell the intangible asset;
• how the intangible asset will generate probable future economic benefits;
• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
• the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).
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The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash

Cash presented on the consolidated statement of financial position which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the Historical Financial Information.
The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the Historical Financial Information in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

**Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

**Classification and subsequent measurement of financial assets**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group hold are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.
(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses, net” line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade receivables and other receivables and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
• an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the
probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

**Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

**Financial liabilities and equity**

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.
Repurchase of the Company’s own equity interests is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company’s own equity interests.

**Financial liabilities**

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability’s credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

**Financial liabilities at amortized cost**

Financial liabilities including trade payables and other payables and amount due to related parties are subsequently measured at amortized cost, using the effective interest method.

**Derogation of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.
Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Development expenses

Development expenses incurred on the Group’s drug product pipelines are capitalized and deferred only when the Group could demonstrate (i) the technical feasibility of completing the development of the relevant intangible asset so that it will be available for use or sale; (ii) the Group’s intention to complete and the Group’s ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all research and development expenses are expensed when incurred.
Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months.

Fair value measurement of financial liabilities at FVTPL

The Company issued series of preferred shares to certain investors during the Track Record Period as set out in Note 26. The Group accounted for these financial instruments as financial liabilities at FVTPL.

The fair value of these financial instruments is determined using valuation techniques, namely back-solve method under market approach, discounted cash flow method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as possibilities and expected date under different scenarios such as liquidation event, volatility and risk-free interest rate which require management estimates.

Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. As at December 31, 2021 and 2022, the carrying amounts of financial liabilities at FVTPL were USD 401,140,000 and USD 648,978,000 respectively, as disclosed in Note 26.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognize in the Historical Financial Information.
APPENDIX I  

ACCOUNTANTS’ REPORT

6. REVENUE

Disaggregation of revenue from contracts with the customers of the Group:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>USD’000</td>
</tr>
<tr>
<td>Types of services</td>
<td></td>
</tr>
<tr>
<td>Drug discovery services</td>
<td>3,687</td>
</tr>
<tr>
<td>Software solution services</td>
<td>1,026</td>
</tr>
<tr>
<td></td>
<td>4,713</td>
</tr>
<tr>
<td>Geographical market</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>–</td>
</tr>
<tr>
<td>United States</td>
<td>670</td>
</tr>
<tr>
<td>China</td>
<td>1,478</td>
</tr>
<tr>
<td>Switzerland</td>
<td>874</td>
</tr>
<tr>
<td>Germany</td>
<td>365</td>
</tr>
<tr>
<td>Japan</td>
<td>134</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>500</td>
</tr>
<tr>
<td>Belgium</td>
<td>610</td>
</tr>
<tr>
<td>Others</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>4,713</td>
</tr>
<tr>
<td>Timing of revenue recognition</td>
<td></td>
</tr>
<tr>
<td>Over time</td>
<td>3,794</td>
</tr>
<tr>
<td>At a point in time</td>
<td>919</td>
</tr>
<tr>
<td></td>
<td>4,713</td>
</tr>
</tbody>
</table>

The Group’s revenue is from drug discovery services provided in collaborative arrangements and drug discovery projects with biopharmaceutical companies and academic research institutions, as well as subscription fees for its proprietary drug discovery software, PandaOmics, Chemistry42 and inClinico. For the drug discovery services, the Group is mainly engaged to utilize its AI-driven technology to identify suitable or novel targets of interest or uncover potent drug candidates with desired drug-like properties for its customers. For the software solution services, the Group grant its customers with access to its AI-driven proprietary drug discovery software for a period of time based on the subscription agreement.

Drug discovery services

Revenue from drug discovery services is recognized either over time, typically by using hours expended or milestone reached to measure progress, or at a point in time upon completion of delivery of promised services based on the nature of the performance obligation. Payments for services are generally due upon achieving milestones stated in a contract, upfront at the start of a contract, or upon consumption of resources. Services may at times include variable consideration in the way of milestone payments and royalty payments. The Group has estimated the amount of consideration that is variable using the most likely amount method. The Group evaluates milestones on a case by case basis, including whether there are factors outside the Group’s control that could result in a significant reversal of revenue, and the likelihood and magnitude of a potential reversal. If achievement of a milestone is not considered probable, the Group constrains (reduces) variable consideration to exclude the milestone payment until it is probable to be achieved. For the years ended December 31, 2021 and 2022, USD 395,000 and USD 5,059,000 revenue were recognized for the milestone events respectively, in which USD 100,000 and USD 41,000 were recognized from performance obligations satisfied in prior period respectively.
Software solution services

The Group’s software solution service is provided to a specified customer in one of the two types of arrangements: (1) by providing access to its hosted software platform (“hosted software”), or (2) by granting right to use software installed on the customer’s premise (“on-premise software”).

Under the hosted software arrangements, the Group charges subscription fees from providing the Group’s customers with access to its hosted software platform and recognizes the fees ratably over the term of the subscription agreement. The subscription agreement is typically of a one-year term, with fees collected upfront. The Group recognized USD 106,000 and USD 751,000 for hosted software revenue for the year ended December 31, 2021 and 2022, respectively.

Under the on-premise software license arrangements, the Group grants customers the right to use its software on the device or cloud specified and controlled by the customer for a specified term, typically for one year. Revenue from on-premise software is recognized upon completion of software installation, as evidenced by receipt of acceptance by customers. Revenue recognized for on-premise software service were USD 920,000 and USD 748,000 for the years ended December 31, 2021 and 2022, respectively.

Transaction price allocated to the remaining performance obligation for contracts with customers

As at December 31, 2021 and 2022, the Group may receive remaining payments up to an aggregate amount of USD 56,680,000 and USD 165,039,000, respectively (excluding sales-based royalty arrangement and contingent milestone payments in accordance with relevant contracts), which is expected to be realized at certain milestone as agreed in the contracts.

Contract assets and contract liabilities

When the Group satisfies its performance obligations by providing services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset.

The Group did not have any contract assets as of January 1, 2021, December 31, 2021 and 2022.

When a customer pays consideration before the Group provide services, the Group records its obligation as a contract liability. The Group expects to recognize all of this balance as revenue over the next 12 months.

The contract liabilities of the Group as of January 1, 2021, December 31, 2021 and 2022 are listed in the table below.

<table>
<thead>
<tr>
<th>Types of services</th>
<th>As at January 1, 2021</th>
<th>As at December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Drug discovery services</td>
<td>500</td>
<td>9</td>
</tr>
<tr>
<td>Software solution services</td>
<td>4</td>
<td>169</td>
</tr>
<tr>
<td></td>
<td>504</td>
<td>178</td>
</tr>
</tbody>
</table>
The balance of contract liabilities as of January 1, 2021, December 31, 2021 and 2022 represents the transaction price allocated to the remaining performance obligations as the service fees for outstanding contracts were charged up-front.

The contract liabilities as of December 31, 2020 and December 31, 2021 were USD504,000 and USD178,000, respectively, in which USD504,000 and USD178,000 were recognized as revenue during the years ended December 31, 2021 and 2022 respectively. The contract liabilities as of December 31, 2022 were USD5,211,000 and is expected to be recognized within one year.

7. SEGMENTS INFORMATION

Operating segments are identified on the basis of the Group’s internal reports that are regularly reviewed by the chief operating decision maker (“CODM”), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance.

During the Trade Record Period, the CODM reviews the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as set out in Note 4. Accordingly, the Group has only one single segment and no further analysis of the single segment is presented.

Geographical information

Information about the Group’s non-current assets is presented based on the geographical location of the assets: USD1,124,000 and USD12,471,000 of the Group’s non-current assets are located in China as of December 31, 2021 and 2022, respectively. The remaining ones are located in other locations.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Nature</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>USD’000</td>
</tr>
<tr>
<td>Customer A</td>
<td>Third-party Drug discovery services</td>
<td>500</td>
</tr>
<tr>
<td>Customer B</td>
<td>Third-party Drug discovery services</td>
<td>674</td>
</tr>
<tr>
<td>Customer C</td>
<td>Third-party Drug discovery services</td>
<td>585</td>
</tr>
<tr>
<td>Customer D</td>
<td>Principal Shareholder Drug discovery services</td>
<td>–</td>
</tr>
<tr>
<td>Customer E</td>
<td>Third-party Drug discovery services</td>
<td>8,333</td>
</tr>
</tbody>
</table>

* Represents less than 10% of revenue for the year ended December 31, 2022.

8. OTHER INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>USD’000</td>
</tr>
<tr>
<td>Bank interest income</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
## 9. OTHER GAINS AND LOSSES, NET

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net foreign exchange losses</td>
<td>(136)</td>
<td>(571)</td>
</tr>
<tr>
<td>Loss on disposal a subsidiary <em>(Note 31)</em></td>
<td>–</td>
<td>(2,189)</td>
</tr>
<tr>
<td>Gain on termination of lease</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial liabilities at FVTPL</td>
<td>(81,110)</td>
<td>(138,100)</td>
</tr>
<tr>
<td>Loss from changes in fair value of financial assets at FVTPL</td>
<td>(443)</td>
<td>(1,038)</td>
</tr>
<tr>
<td>Others</td>
<td>(2)</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(81,691)</td>
<td>(141,875)</td>
</tr>
</tbody>
</table>

## 10. FINANCE COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on lease liabilities</td>
<td>(36)</td>
<td>(99)</td>
</tr>
</tbody>
</table>

## 11. LOSS BEFORE TAX

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before tax for the year has been arrived at after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>245</td>
<td>438</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>426</td>
<td>1,086</td>
</tr>
<tr>
<td>Amortization of other intangible assets</td>
<td>62</td>
<td>252</td>
</tr>
<tr>
<td>Total depreciation and amortization</td>
<td>733</td>
<td>1,776</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ emoluments <em>(Note 13(a))</em></td>
<td>2,147</td>
<td>3,077</td>
</tr>
<tr>
<td>Other staff costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– salaries and other benefits</td>
<td>6,913</td>
<td>15,150</td>
</tr>
<tr>
<td>– discretionary bonus <em>(Note)</em></td>
<td>879</td>
<td>1,727</td>
</tr>
<tr>
<td>– other benefit contributions</td>
<td>815</td>
<td>2,174</td>
</tr>
<tr>
<td>– share-based payments</td>
<td>4,891</td>
<td>11,996</td>
</tr>
<tr>
<td></td>
<td>15,645</td>
<td>34,124</td>
</tr>
</tbody>
</table>

*Note:*

Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.
12. INCOME TAX EXPENSE

For the years ended December 31, 2021 and 2022, current and deferred income tax expense were nil and USD13,000, respectively.

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 operate.

Cayman Islands (“Cayman”)

The Company and Subco are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, The Company and Subco are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

United States. (“U.S.”)

InSilico Medicine US Inc. (“InSilico US”) is incorporated in U.S. and is subject to U.S. federal corporate income tax at a rate of 21%. InSilico US is also subject to state income tax in some states, such as Delaware and New York. InSilico US has no taxable income for all periods presented, therefore, no provision for income taxes is required.

Hong Kong (“HK”)

InSilico Medicine Hong Kong Limited (“InSilico HK”), InSilico Medicine IP Limited (“InSilico IP”) and Mir Pharma Innovation Limited (“Mir Pharma”) are incorporated in Hong Kong. Companies registered in Hong Kong are subject to Hong Kong profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended December 31, 2021 and 2022, InSilico HK, InSilico IP and Mir Pharma did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented.

Under the Hong Kong tax law, InSilico HK and InSilico IP are exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

Insilico Medicine Ltd. (“InSilico SH”) and InSilico Medicine Suzhou Ltd. (“InSilico SZ”) are incorporated under PRC’s Enterprise Income Tax Law (“EIT Law”), and the statutory income tax rate is 25%.

Taiwan

InSilico Taiwan LTD (“InSilico TW”) is incorporated in Taiwan, and is subject to Taiwan income tax at a rate of 20%. InSilico Taiwan LTD has no taxable income for all periods presented, therefore, no provision for income taxes is required. No provision for income taxes has been required to be accrued because InSilico TW is in cumulative loss positions for all the periods presented.

Canada

InSilico Medicine Canada Inc (“InSilico Canada”) is incorporated in Canada and is subject to Canada federal corporate income tax at a rate of 15% plus state corporate income tax at a rate ranging from 8%-16%. InSilico Canada has no taxable income for all periods presented, therefore, no provision for income taxes is required.
United Arab Emirates

Insilico Medicine AI Limited ("InSilico AI") is incorporated in United Arab Emirates. Under the current laws of the United Arab Emirates, InSilico AI is not subject to tax on income or capital gain. Therefore, no provision for income taxes is required.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive expenses as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(130,505)</td>
<td>(221,815)</td>
</tr>
<tr>
<td>Tax at the applicable tax rate of 16.5% (note i)</td>
<td>(21,533)</td>
<td>(36,599)</td>
</tr>
<tr>
<td>Tax effect of expenses that are not deductible for tax purpose</td>
<td>20,105</td>
<td>33,430</td>
</tr>
<tr>
<td>Tax effect of super deduction on research and development expenses (note ii)</td>
<td>–</td>
<td>(1,496)</td>
</tr>
<tr>
<td>Tax effect of tax losses not recognised</td>
<td>1,465</td>
<td>4,653</td>
</tr>
<tr>
<td>Tax effect of deductible temporary differences not recognised</td>
<td>8</td>
<td>30</td>
</tr>
<tr>
<td>Withholding tax on license fee income</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Utilisation of tax losses not recognised in prior years</td>
<td>(45)</td>
<td>(18)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>(13)</td>
</tr>
</tbody>
</table>

Notes:

i. The domestic tax rate in the jurisdiction where the operation of the Company is substantially based (which is Hong Kong) is used.

ii. Pursuant to Caishui 2018 circular No. 99, InSilico SH and InSilico SZ enjoy super deduction of 175% on qualified research and development expenditures throughout the Track Record Period.

As at December 31, 2021 and 2022, the Group has unused tax losses of USD9,800,000 and USD37,890,000, respectively, and deductible temporary differences of USD51,000 and USD240,000 respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>2024</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>2025</td>
<td>537</td>
<td>537</td>
</tr>
<tr>
<td>2026</td>
<td>8,511</td>
<td>8,511</td>
</tr>
<tr>
<td>2027</td>
<td>–</td>
<td>24,675</td>
</tr>
<tr>
<td>2029 and indefinite</td>
<td>730</td>
<td>4,145</td>
</tr>
<tr>
<td></td>
<td>9,800</td>
<td>37,890</td>
</tr>
</tbody>
</table>
13. DIRECTORS’ AND CHIEF EXECUTIVE OFFICER’S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company during the Track Record Period are as follows:

(a) Executive and non-executive directors

<table>
<thead>
<tr>
<th>Date of appointment</th>
<th>Director fees</th>
<th>Salaries and other benefits</th>
<th>Discretionary bonuses</th>
<th>Retirement benefit scheme contributions</th>
<th>Share-based payments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Executive director and chief executive officer:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Alex Zhavoronkov, Ph.D.</td>
<td>January 29, 2019</td>
<td>–</td>
<td>200</td>
<td>–</td>
<td>–</td>
<td>200</td>
</tr>
<tr>
<td>Executive director:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D.</td>
<td>June 30, 2021</td>
<td>–</td>
<td>290</td>
<td>421</td>
<td>20</td>
<td>1,090</td>
</tr>
<tr>
<td>Non-Executive director:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Min Fang</td>
<td>June 30, 2021</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Nisa Leung (note v)</td>
<td>August 7, 2019</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Mr. Kan Chen, Ph.D.</td>
<td>August 26, 2021</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Lennart Lee (note v)</td>
<td>August 7, 2019</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dr. David Jonathan Madge</td>
<td>October 21, 2021</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>James Mellon (note v)</td>
<td>January 29, 2019</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Independent non-executive director:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Steven Kenneth Galson (note v)</td>
<td>August 11, 2021</td>
<td>13</td>
<td>–</td>
<td>–</td>
<td>112</td>
<td>125</td>
</tr>
</tbody>
</table>

| 13 | 490 | 421 | 20 | 1,203 | 2,147 |
APPENDIX I  ACCOUNTANTS’ REPORT

For the year ended December 31, 2022

Executive director and chief executive officer:
Mr. Alex Zhavoronkov
Ph.D. ........................ January 29, 2019 – 450 500 – – 950

Executive director:
Mr. Feng Ren, Ph.D.
(任峯) ........................ June 30, 2021 – 384 772 23 1,040 2,219

Non-Executive director:
Mr. Min Fang (方敏) ......... June 30, 2021 – – – – – –
Mr. Kan Chen, Ph.D.
(陳凱) ........................ August 26, 2021 – – – – – –
Dr. David Jonathan Madge ............... October 21, 2021 – – – – – –

Independent non-executive director:
Dr. Steven Kenneth Galson
(note v) ........................ August 11, 2021 20 – – – (112) (92)

Notes:
(i) None of the directors of the Company waived or agreed to waive any emoluments during the Track Record Period.
(ii) During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.
(iii) The executive directors’, non-executive director’s emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.
(iv) The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.
(v) Nisa Leung was a non-executive director of the Group from August 7, 2019 till August 26, 2021, Lennart Lee was a non-executive director of the Group from August 7, 2019 till October, 18 2021, James Mellon was a non-executive director of the Group from January 29, 2019 till March 25, 2021 and Dr. Steven Kenneth Galson was an independent non-executive director of the Group from August 11, 2021 till August 31, 2022.

(b) Five Highest Paid Individuals

The five highest paid individuals of the Group included one and two directors of the Company for the years ended December 31, 2021 and 2022, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining four and three highest paid individuals for the years ended December 31, 2021 and 2022, respectively, are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Salaries and other benefits</td>
<td>521</td>
<td>929</td>
</tr>
<tr>
<td>Retirement benefit scheme contributions</td>
<td>40</td>
<td>55</td>
</tr>
<tr>
<td>Discretionary bonuses (note)</td>
<td>190</td>
<td>446</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>1,636</td>
<td>3,473</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,387</strong></td>
<td><strong>4,903</strong></td>
</tr>
</tbody>
</table>
APPENDIX I

ACCOUNTANTS’ REPORT

Note:

Discretionary bonuses were determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

The emoluments of the five highest paid individuals for the years ended December 31, 2021 and 2022 are within the following bands:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of employees</td>
<td>No. of employees</td>
</tr>
<tr>
<td>HK$4,000,001 to HK$4,500,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>HK$4,500,001 to HK$5,000,000</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>HK$5,000,001 to HK$5,500,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>HK$6,000,001 to HK$6,500,000</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>HK$7,000,001 to HK$7,500,000</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>HK$9,500,001 to HK$10,000,000</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>HK$14,000,001 to HK$14,500,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>HK$17,000,001 to HK$17,500,000</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>HK$22,000,001 to HK$22,500,000</td>
<td>–</td>
<td>1</td>
</tr>
</tbody>
</table>

14. LOSS PER SHARE

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

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Loss for the purpose of calculating basic and diluted loss per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year attributable to the owners of the Company (USD’000)</td>
<td>(130,505)</td>
<td>(221,828)</td>
</tr>
<tr>
<td>Number of shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note)</td>
<td>[99,626]</td>
<td>[67,060]</td>
</tr>
<tr>
<td>Basic and diluted loss per share (USD)</td>
<td>[1.31]</td>
<td>[3.31]</td>
</tr>
</tbody>
</table>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the Track Record Period has been determined on the assumption that the [REDACTED] as described in the section “Share Capital” of the Document had been effective since January 1, 2021.

Note:

The effects of all outstanding Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C+ Preferred Shares, Series D preferred Shares, share options and unvested restricted shares have been excluded from the computation of diluted loss per share for the years ended December 31, 2021 and 2022 as their effects would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2022 are the same as basic loss per share for the respective years.

15. DIVIDENDS

No dividend was declared or paid by the Company during the Track Record Period.
## 16. PROPERTY AND EQUIPMENT

### The Group

<table>
<thead>
<tr>
<th></th>
<th>Leasehold improvements</th>
<th>Office equipment</th>
<th>Machinery</th>
<th>Construction in process (“CIP”)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td><strong>COST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>91</td>
<td>290</td>
<td>–</td>
<td>–</td>
<td>381</td>
</tr>
<tr>
<td>Additions</td>
<td>354</td>
<td>323</td>
<td>–</td>
<td>–</td>
<td>677</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(5)</td>
<td>–</td>
<td>–</td>
<td>(5)</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>–</td>
<td>4</td>
<td>–</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>445</td>
<td>612</td>
<td>–</td>
<td>–</td>
<td>1,057</td>
</tr>
<tr>
<td>Additions</td>
<td>293</td>
<td>190</td>
<td>–</td>
<td>10,653</td>
<td>11,136</td>
</tr>
<tr>
<td>Transfer from CIP</td>
<td>1,929</td>
<td>742</td>
<td>3,239</td>
<td>(5,946)</td>
<td>(36)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(139)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(139)</td>
</tr>
<tr>
<td>Disposal of a subsidiary (Note 31)</td>
<td>–</td>
<td>(214)</td>
<td>–</td>
<td>–</td>
<td>(214)</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>(41)</td>
<td>(14)</td>
<td>–</td>
<td>(20)</td>
<td>(75)</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>2,487</td>
<td>1,316</td>
<td>3,239</td>
<td>4,687</td>
<td>11,728</td>
</tr>
<tr>
<td><strong>DEPRECIATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>37</td>
<td>158</td>
<td>–</td>
<td>–</td>
<td>195</td>
</tr>
<tr>
<td>Provided for the year</td>
<td>138</td>
<td>107</td>
<td>–</td>
<td>–</td>
<td>245</td>
</tr>
<tr>
<td>Eliminated on disposals</td>
<td>–</td>
<td>(4)</td>
<td>–</td>
<td>–</td>
<td>(4)</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>–</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>175</td>
<td>258</td>
<td>–</td>
<td>–</td>
<td>433</td>
</tr>
<tr>
<td>Provided for the year</td>
<td>171</td>
<td>266</td>
<td>1</td>
<td>–</td>
<td>438</td>
</tr>
<tr>
<td>Eliminated on disposals</td>
<td>(139)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(139)</td>
</tr>
<tr>
<td>Eliminated on disposal of a subsidiary (Note 31)</td>
<td>–</td>
<td>(168)</td>
<td>–</td>
<td>–</td>
<td>(168)</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>(19)</td>
<td>12</td>
<td>–</td>
<td>–</td>
<td>(7)</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>188</td>
<td>368</td>
<td>1</td>
<td>–</td>
<td>557</td>
</tr>
<tr>
<td><strong>CARRYING AMOUNT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>270</td>
<td>354</td>
<td>–</td>
<td>–</td>
<td>624</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>2,299</td>
<td>948</td>
<td>3,238</td>
<td>4,687</td>
<td>11,172</td>
</tr>
</tbody>
</table>

The above items of property and equipment are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

- Over the shorter of the remaining lease terms or estimated useful lives:
  - Leasehold improvements: 3 years
  - Office equipment: 3 years
  - Machinery: 5 years
17. **RIGHT-OF-USE ASSETS**

The Group

<table>
<thead>
<tr>
<th>Leased properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
</tr>
<tr>
<td>389</td>
</tr>
<tr>
<td>1,082</td>
</tr>
<tr>
<td>426</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>1,056</td>
</tr>
<tr>
<td>3,750</td>
</tr>
<tr>
<td>369</td>
</tr>
<tr>
<td>207</td>
</tr>
<tr>
<td>1,086</td>
</tr>
<tr>
<td>37</td>
</tr>
<tr>
<td>3,107</td>
</tr>
</tbody>
</table>

During the Track Record Period, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The amounts of the Group’s lease liabilities and interest expense on lease liabilities are disclosed in Note 25 and Note 10, respectively. At December 31, 2021 and 2022, lease liabilities of USD 1,108,000 and USD 3,223,000 are recognized with related right-of-use assets of USD 1,056,000 and USD 3,107,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. **INVESTMENTS IN SUBSIDIARIES**

The Company

<table>
<thead>
<tr>
<th>As at December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
</tr>
<tr>
<td>USD’000</td>
</tr>
<tr>
<td>Cost of investment in subsidiaries</td>
</tr>
<tr>
<td>Share of profits and other comprehensive income</td>
</tr>
<tr>
<td>At the end of the year</td>
</tr>
</tbody>
</table>
19. FINANCIAL ASSETS AT FVTPL

The Group

Financial assets measured at FVTPL:

Equity Investments with Readily Determinable Fair Value:
Endurance RP Limited (formerly known as Regent Pacific Group Limited)\(\text{(note)}\) ........................................ 2,063 1,025

Note:

In June 2019, the Company set up Deep Longevity, Inc., ("Deep Longevity") as an exempted company in Cayman Islands. In June 2020, the Company’s equity interest in Deep Longevity was diluted from 100% to 37.04% upon completion of a new equity financing raised by Deep Longevity from third-party, along with this new equity financing, the Company also invested USD 500,000. As a result, the Company deconsolidated Deep Longevity and accounted for the investment using the equity method of accounting with a gain on deemed disposal of USD 291,000. The Company recognized share of loss of this investee amounting to USD 575,000 for the year ended December 31, 2020.

In August 2020, the Company further entered into an agreement with Endurance RP Limited (formerly known as Regent Pacific Group Limited, "Endurance"), a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to transfer all the equity interest of Deep Longevity, in exchange for 104,475,456 shares of Endurance. The deal was closed upon completion of share transfer in December 2020. The shares are subject to limitation on transfer for a six-month lock-up period required by the purchase agreement. The fair value of the shares received in excess of the carrying value of the equity method investment in Deep Longevity amounting to USD 2,211,000 was recognized as gains on equity investment. Endurance is an investment company focusing on investment in the healthcare, wellness and life sciences sectors. The Company does not have the ability to significantly influence the operations of the investee and records the investment in Endurance using fair value method of accounting. The Company recognized gains and loss from fair value changes amounting to USD 443,000 loss and USD 1,038,000 loss for the year ended December 31, 2021 and 2022 respectively.

20. OTHER NON-CURRENT ASSETS

The Group

Rental deposits ........................................ 174 538
APPENDIX I

21. TRADE AND OTHER RECEIVABLES

The Group

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>Trade receivables from contracts with customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– third parties</td>
<td>944</td>
<td>5,169</td>
</tr>
<tr>
<td>Less: Allowance for credit losses</td>
<td>(39)</td>
<td>(273)</td>
</tr>
<tr>
<td></td>
<td>905</td>
<td>4,896</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>46</td>
<td>–</td>
</tr>
<tr>
<td>Value added tax recoverable</td>
<td>193</td>
<td>1,420</td>
</tr>
<tr>
<td>Prepayments</td>
<td>630</td>
<td>819</td>
</tr>
<tr>
<td>Deferred share issue costs (Note)</td>
<td>1,874</td>
<td>3,726</td>
</tr>
<tr>
<td></td>
<td>2,743</td>
<td>5,965</td>
</tr>
<tr>
<td></td>
<td>3,650</td>
<td>10,868</td>
</tr>
</tbody>
</table>

As at January 1, 2021, trade receivables from contracts with customers amounted to US$141,000.

The Company

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>Deferred share issue costs (Note)</td>
<td>1,874</td>
<td>3,726</td>
</tr>
</tbody>
</table>

Note: The deferred share issue costs were related to a financing activity in other capital market.

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

The Group

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>833</td>
<td>4,872</td>
</tr>
<tr>
<td>1-2 year</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td>2-3 years</td>
<td>72</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>905</td>
<td>4,896</td>
</tr>
</tbody>
</table>

The Group normally grants a credit period of 10 days to 60 days effective from the date when the services have been completed and billed to the customer.
APPENDIX I

ACCOUNTANTS’ REPORT

Details of the assessment on the provision of expected credit losses of trade receivables of the Group as at December 31, 2021 and 2022 are set out in Note 35.

22. AMOUNT(S) DUE TO A RELATED PARTY/ SUBSIDIARIES

The Group

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
</tbody>
</table>

Trade payables

Amount due to a related party:

Wuxi Apptec Co. Ltd. and subsidiaries
(“Wuxi Group”) (Note 32) .......................... 2,582 8,422

The following is an aged analysis of trade payables due to a related party presented based on the invoice dates at the end of each reporting period, for the trade payables having not received invoice at the end of each reporting period, the aging is within 0-30 days:

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
</tbody>
</table>

0-30 days .............................. 1,578 4,526
31-90 days ............................... 1,004 1,160
91-180 days ............................... – 2,718
180 -360 days .............................. – 18

2,582 8,422

The average credit period on purchases of goods/services of the Group is 45 days.

The Company

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
</tbody>
</table>

Other payables

Amount due to subsidiaries:

SubCo ..................................... 234 28
InSilico HK ............................... 119 50
InSilico SH ............................... 294 247

647 325

The amounts are non-trade in nature, unsecured, interest free and repayable on demand.
### 23. BANK BALANCES AND CASH

**The Group**

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>161,540</td>
<td>207,882</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>161,541</td>
<td>207,883</td>
</tr>
</tbody>
</table>

The carrying amounts of the Group’s bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting period are as follows:

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>1,002</td>
<td>2,084</td>
</tr>
<tr>
<td>RMB</td>
<td>–</td>
<td>1,257</td>
</tr>
<tr>
<td>RUB</td>
<td>288</td>
<td>–</td>
</tr>
<tr>
<td>EUR</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>HK$</td>
<td>36</td>
<td>117</td>
</tr>
</tbody>
</table>

**The Company**

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>143,867</td>
<td>149,132</td>
</tr>
</tbody>
</table>

Bank balances held by the Group and the Company carry interests at market rates ranging from 0.001% to 0.3% and 0.001% to 0.35% as at December 31, 2021 and 2022 respectively.

### 24. TRADE AND OTHER PAYABLES

**The Group**

<table>
<thead>
<tr>
<th></th>
<th>As at December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Trade payables for research and development expenses</td>
<td>1,365</td>
<td>10,705</td>
</tr>
<tr>
<td>Payroll and related liabilities</td>
<td>1,453</td>
<td>3,780</td>
</tr>
<tr>
<td>Professional service fees and share issue costs (Note a)</td>
<td>2,489</td>
<td>2,244</td>
</tr>
<tr>
<td>Deferred subsidies from a non-for-profit foundation (Note b)</td>
<td>271</td>
<td>–</td>
</tr>
<tr>
<td>Accrued office expenses</td>
<td>157</td>
<td>991</td>
</tr>
<tr>
<td>Other taxes and surcharge</td>
<td>61</td>
<td>287</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>488</td>
</tr>
<tr>
<td></td>
<td>5,796</td>
<td>18,495</td>
</tr>
</tbody>
</table>

---

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APPENDIX I

ACCOUNTANTS’ REPORT

The Company

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Professional service fees and share issue costs (Note a)</td>
<td>1,907</td>
<td>1,700</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>159</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,907</td>
<td>1,859</td>
</tr>
</tbody>
</table>

Notes:

a. The deferred share issue costs were related to a financing activity in other capital market.

b. Deferred subsidies from a non-for-profit foundation were to be used for specific research and development (“R&D”) projects from 2019 to 2022. The Group recorded these up-front subsidies as deferred subsidies in trade and other payables, which would be offset against the research and development expenses for the specific R&D projects once occurred. The amount of research and development expenses which were offset by specific subsidies for the year ended December 31, 2021 and 2022 were USD455,000 and USD271,000, respectively.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period, for the trade payables having not received invoice at the end of each reporting period, the aging is within 0-30 days:

The Group

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>0-30 days</td>
<td>1,121</td>
<td>6,891</td>
</tr>
<tr>
<td>31-90 days</td>
<td>244</td>
<td>1,969</td>
</tr>
<tr>
<td>91-180 days</td>
<td>–</td>
<td>1,535</td>
</tr>
<tr>
<td>180 -360 days</td>
<td>–</td>
<td>310</td>
</tr>
<tr>
<td></td>
<td>1,365</td>
<td>10,705</td>
</tr>
</tbody>
</table>

The average credit period on purchases of goods/services of the Group is 45 days.

25. LEASE LIABILITIES

The Group

<table>
<thead>
<tr>
<th>As at December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Lease liabilities payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>666</td>
<td>1,382</td>
</tr>
<tr>
<td>Within a period of more than one year but not exceeding two years</td>
<td>372</td>
<td>1,173</td>
</tr>
<tr>
<td>Within a period of more than two years but not exceeding five years</td>
<td>70</td>
<td>668</td>
</tr>
</tbody>
</table>
APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31,

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,108</td>
<td>3,223</td>
<td></td>
</tr>
</tbody>
</table>

Less: Amount due for settlement within 12 months shown as current liabilities .................................. (666) (1,382)

Amount due for settlement after 12 months shown as non-current liabilities ........................................... 442  1,841

The weighted average incremental borrowing rates applied to the lease liabilities for the year ended December 31, 2021 and 2022 range from 1.75% to 9.23% and 2.44% to 4.15%, respectively per annum for the Track Record Period.

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HKD</td>
<td>7 2</td>
<td>6 3</td>
</tr>
<tr>
<td>RUB</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

26. FINANCIAL LIABILITIES AT FVTPL

26.1 One Preferred Share of Subco

As part of the 2019 Restructuring (see Note 1), on March 15, 2019, Subco issued one preferred share (“Preferred Share of Subco”) to Insilico Inc. with par value of USD1, in exchange for the assets and business operations of Insilico Inc. valued at USD17,100,000 with the assistance of an external valuer. The Original Shareholders, including both Series A preferred shareholders and ordinary shareholders, remained their ownership interest in Insilico Inc. and were entitled to distributions by the Group from both the Company and Insilico Inc.

In connection of the issuance of Series B redeemable convertible preferred shares by the Company (“Series B Preferred Shares”) in August 7, 2019, the rights associated with the Preferred Share of Subco were amended in order to give priority in distributions to the holders of Series B Preferred Shares, who could obtain their return only through Subco’s distribution to the Company. The key terms of the Preferred Share of Subco are as follows:

Voting Rights

The Preferred Share is a non-voting class of share.

Conversion

The Preferred Share is not convertible into ordinary shares.
APPENDIX I ACCOUNTANTS’ REPORT

Preference in dividend distribution and liquidation

In the event the Board of Directors of the Subco declares dividends on any class or series of shares, or in the event of any voluntary or involuntary liquidation, dissolution, winding up, or Deemed Liquidation Event of Subco (as defined below), the sequence of distribution shall be as follows:

(1) ordinary shareholder, i.e., the Company to receive up to the issuance price of Series B Preferred Shares; (2) Preferred Share of Subco, i.e., Insilico Inc. to receive USD6,000,000, which was the issuance price of Series A Preferred Shares (see 26.2 below); (3) on a pari passu basis to both ordinary and preferred shares, unless and until the total distribution paid to Insilico Inc. equal to InSilico Delaware Full Redemption Price, which is defined as USD17,100,000 plus an interest at 6% annum from March 15, 2019. Once the InSilico Delaware Full Redemption Price has been paid to Insilico Inc., the Preferred Share of Subco shall be deemed to be simultaneously and automatically fully redeemed and canceled. Any remaining funds legally available for distribution after the distributions above shall be distributed to the Company.

Deemed Liquidation Events of Subco include: (a) merger or consolidation in which Subco or the Company (or only if Subco issues shares pursuant to the merger or consolidation, a subsidiary of Subco) is a constituent party; (b) the sale, lease, transfer, exclusive license or other disposition of all or substantially all the assets or intellectual property of Subco and its subsidiaries; and (c) [REDACTED] of the Company or Subco.

In connection with the Series C equity financing in June 2021, the Preferred Share of Subco was fully redeemed. The total redemption price amounting to USD 19,433,000 was settled in July 2021.

26.2 Convertible Redeemable Preferred Shares of the Company

In June 2018, Insilico Inc. issued 904,888 shares of Series A convertible redeemable preferred shares with par value of USD0.00001 per share (“Series A Preferred Shares”) to investors (“Series A Preferred Shareholders”) with total proceeds of USD6,000,000 at the price of USD6.6306 per share (“Series A Issued Price”). On March 15, 2019, in connection with 2019 Restructuring, the Series A Preferred Shareholders obtained preferred shares in the Company with shareholding ratio and shareholder rights identical to the Series A Preferred Shares issued by Insilico Inc..

On August 12, 2019, the Company issued 4,403,933 shares of Series B convertible redeemable preferred shares with par value of USD0.00001 (“Series B Preferred Shares”) for a total cash proceed of USD36,762,000 at USD8.3476 per share (“Series B Issue Price”). In connection with the Series C equity financing, 196,329 Series B Preferred Shares were repurchased and re-designated to Series C Preferred Shares in June 2021.

In June 2021, the Company issued 8,909,665 shares of Series C convertible redeemable preferred shares with par value of USD0.00001 (“Series C Preferred Shares”) for a total cash proceeds of USD255,023,000 at USD28.6232 per share (“Series C Issue Price”). The total cash proceeds were fully received in July 2021.

As part of the round C financing arrangements, in order to avoid further dilution, the Company repurchased 2,631,231 ordinary shares, 173,805 Series A Preferred Shares and 196,329 Series B Preferred Shares from the respective shareholders (including Founder and certain employees) and re-designate all these shares to Series C Preferred Shares through retirement of repurchased shares accompanied with issuance of same number of Series C preferred shares. The repurchase price was USD22.1322, USD25.2939, and USD28.4557 per share for ordinary share, Series A and Series B preferred share, respectively. Out of total repurchase price, USD 12,625,000 was paid by Insilico Inc. using the proceeds received as a result of redemption of the One Preferred Share of Subco, remaining
USD 47,310,000 was paid by the Company. The share repurchase price paid by the Company of USD 8,282,000 approximated the fair value of Series A and Series B preferred share on the repurchase date. The repurchase and redemption payments were fully settled in July 2021.

In January 2022, the Company issued 524,051 shares of Series C+ convertible redeemable preferred shares with par value of US$0.00001 (“Series C+ Preferred Shares”) for a total cash proceeds of US$15,000,000 at US$28.6232 per share (“Series C+ Issue Price”) to Fosun, of which the major terms are consistent with those of Series C convertible redeemable preferred shares. The total cash proceeds were fully received in January 2022.

In 2022, the Topco issued 2,421,692 shares of Series D convertible redeemable preferred shares with par value of US$ 0.0001 (“Series D Preferred Shares”) for a net cash proceed of US$ 94,204,000 at US$ 39.12 per share (“Series D Issue price”). The total cash proceeds were fully received in July 2022.

In connection with the issuance of Series C, Series C+ and Series D Preferred Shares, the Company and other Series A and B Preferred Shareholders agreed to modify certain terms related to shareholders’ rights, including the Series B Preferred Shareholders’ liquidation price, the updated redemption events, and the definition of a Qualified [REDACTED]. The Company deemed the modification did not result in any accounting consequence as it was mainly a transfer of wealth amongst different classes of preferred shareholders and the value transferred between preferred shareholders and ordinary shareholders was not material.

The rights, preferences and privileges of the Series A, Series B, Series C, Series C+ and Series D convertible redeemable preferred shares of the Company (together, “Preferred Shares”) after the issuance of Series D Preferred Shares are as follows:

**Voting Rights**

Preferred shareholders are entitled to vote together with the holders of ordinary shares as a single class and on an as-converted to ordinary shares basis.

**Dividends**

If the Company declares dividends on any class or series of shares, the sequence of dividend right was as follows:

1. each holder of the Series D Preferred Shares to receive equal to the Series D Issue Price;
2. each holder of the Series C and Series C+ Preferred Shares to receive equal to the Series C and Series C+ Issue Price;
3. each holder of the Series B Preferred Shares to receive equal to the Series B Issue Price;
4. each holder of the Series A Preferred Shares to receive equal to the Series A Issue Price;

If there are any dividends remaining after the aggregate dividends have been distributed or paid in full to the applicable holders above, the remaining dividends available for distribution shall be distributed rateably among all shareholders.

**Conversion**

The holders of the Preferred Shares are entitled to convert into ordinary shares at any time after the issuance date at the then applicable conversion price. The initial conversion ratio shall be 1: 1, and shall be subject to adjustments for diluting issues such as share splits, capital reorganization or issuance of additional new ordinary stocks. All outstanding Preferred Shares shall automatically be converted, at the applicable conversion ratio at the time of conversion, upon the earlier of a Qualified [REDACTED] (“Qualified [REDACTED]”)
or the date specified by written consent or agreement approved by holders of the majority of outstanding preferred shares. Qualified [REDACTED] means the closing of a firm commitment [REDACTED] of the ordinary shares the Company (or depositary receipts or depositary shares therefor) on the Stock Exchange of Hong Kong Limited, National Association of Securities Dealers Automated Quotation, New York Stock Exchange or another internationally recognized securities exchange with an [REDACTED] that implies a [REDACTED] of the Company immediately prior to such [REDACTED] of not less than US$1,200,000,000 or the equivalent amount in other currencies.

Redemption

Upon the occurrence of any of the following events, the Series B, Series C, Series C+ and Series D Preferred Shares become redeemable:

(a) the Company fails to complete a Qualified [REDACTED] within (3) years from the Series D issue date;

(b) any other Preferred Shares of the Company become redeemable; (c) any material breach or violation by any Group Company or the Founder of any of its representations, warranties or covenants contained in the transaction documents; (d) the Company fails to achieve at least five (5) licensing and drug discovery deals which generate total cash payment of at least USD10,000,000 within twenty-four (24) months of the Series D issue date; (e) the Company fails to close at least one (1) drug discovery partnership which generates total cash payment of at least USD10,000,000 with a major pharmaceutical company (means Pfizer, Johnson & Johnson, Merck, Novartis, AstraZeneca, Roche, Fosun and the like) within twenty-four (24) months of the Series D issue date; (f) the Company fails to dose the first (1st) human patients with an artificial intelligence-designed molecule within twelve (12) months of the Series D issue date; or (g) the Company fails to deliver three (3) artificial intelligence-designed preclinical candidates within twelve (12) months of the Series D issue date.

For Series B Preferred Shares, the redemption price for events (a) or (b) is 150% of Series B Issue Price plus declared but unpaid dividends, and for events (c), (d), (e), (f) or (g), the redemption price is 100% of Series B Issue Price plus declared but unpaid dividends. For Series C, Series C+ and Series D Preferred Shares, for all events, the redemption price shall be equal to 100% of the Series C, Series C+ and Series D Issue Price plus all declared but unpaid dividends thereon, plus an additional amount that will result in an annualized rate of return of 8% on the Series C, Series C+ and Series D Issue Price, respectively.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, winding up or Deemed Liquidation Event of the Company, distributions to the shareholders of the Company out of the assets available for distribution to its shareholders of the Company should be made in the following sequence.

(1) each holder of the Series D Preferred Shares to receive the Series D Issue Price plus an 8% annualized interest on the Series D Issue Price and any declared but unpaid dividends; (2) each holder of the Series C and Series C+ Preferred Shares to receive the Series C and Series C+ Issue Price plus an 8% annualized interest on the Series C and Series C+ Issue Price and any declared but unpaid dividends; (3) each holder of the Series B Preferred Shares to receive the Series B issue price plus an 8% annualized interest and any declared but unpaid dividends; (4) each holder of the Series A Preferred Shares to receive the Series A issue price.

If there are any dividends remaining after the aggregate dividends have been distributed or paid in full to the applicable holders above, the remaining available for distribution shall be distributed rateably among all Series A, B, C, C+ and D Preferred Shareholders and ordinary shareholders.

Deemed Liquidation Events of the Company include: (a) merger or consolidation in which the Company (or only if the Company issues shares pursuant to the merger or consolidation, a subsidiary
of the Company) is a constituent party; (b) the sale, lease, transfer, exclusive license or other disposition of all or substantially all the assets or intellectual property of the Company and its subsidiaries.

26.3 Presentation and classification

The Company recognized both the One Preferred Share of Subco and the Convertible Redeemable Preferred Shares of Company as financial liabilities at FVTPL and classified as current liabilities, because not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. Financial liabilities are measured at fair value and any changes in the fair value of the financial liabilities were recorded in “loss on changes in fair value of financial liabilities at FVTPL” in the consolidated statement of profit or loss and other comprehensive income. The directors of the Company considered that the changes in the fair value of the preferred shares attributable to the change in credit risk of the Group is minimal.

For the One Preferred Share of Subco, the Company estimated the underlying fair value based on the redemption price under redemption scenario.

For the Convertible Redeemable Preferred Shares, the Company used discounted cash flow method (“DCF Method”) to determine the underlying total equity value of the Company at the end of each reporting period and performed an equity allocation method to allocate total equity value to preferred shares and ordinary shares on different bases under three different scenarios: Liquidation Scenario, Redemption Scenario and [REDACTED] Scenario. Under the Liquidation Scenario and Redemption Scenario, since the holders of the preferred shares would have priority rights to claim for the equity value over the holders of ordinary shares, the Company applied the option pricing method (“OPM”) to allocate the Group’s total equity value to these different classes of equity. Under the [REDACTED] Scenario, the Group’s total equity value is allocated to the ordinary shares and the preferred shares on an as-if-fully-converted basis because all the preferred shares will be converted into ordinary shares upon the consummation of [REDACTED]. After deriving the value of the preferred shares and ordinary shares under each of the Liquidation, Redemption and [REDACTED] Scenario by the method described above, the Company then assigned the probabilities of each scenario to arrive at the probability weighted average value of each class of equity. The valuation was carried out by the directors of the Company with the assistance of an independent qualified valuer.

The key valuation assumptions used to determine the fair value are as follows:

<table>
<thead>
<tr>
<th>Expected [REDACTED] date</th>
<th>Expected liquidation date</th>
<th>Expected redemption date</th>
<th>Risk-free interest</th>
<th>Probability of [REDACTED] scenario</th>
<th>Probability of liquidation scenario</th>
<th>Probability of redemption scenario</th>
<th>Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/2022</td>
<td>10/01/2025</td>
<td>10/01/2025</td>
<td>0.97%</td>
<td>70%</td>
<td>15%</td>
<td>15%</td>
<td>71.92%</td>
</tr>
<tr>
<td>31/12/2023</td>
<td>20/5/2025</td>
<td>20/5/2025</td>
<td>4.34%</td>
<td>70%</td>
<td>15%</td>
<td>15%</td>
<td>75.09%</td>
</tr>
</tbody>
</table>

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Strips with a maturity life equal to the expected terms for a liquidation or redemption event as of the valuation date, sourced from Bloomberg. Volatility was estimated on the average annualized standard deviation of the historical stock price of listed comparable companies for a period with length commensurate to expected time to a liquidation or redemption event as of the valuation date.
The movements of the financial liabilities at FVTPL are set out below:

**The Group**

<table>
<thead>
<tr>
<th>One Preferred Share of Subco</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
<th>Series C+</th>
<th>Series D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>18,947</td>
<td>10,834</td>
<td>62,941</td>
<td>–</td>
<td>–</td>
<td>92,722</td>
</tr>
<tr>
<td>Issuance of Series C Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>246,741</td>
<td>–</td>
<td>246,741</td>
</tr>
<tr>
<td>Changes in fair value</td>
<td>486</td>
<td>10,461</td>
<td>51,488</td>
<td>18,675</td>
<td>–</td>
<td>81,110</td>
</tr>
<tr>
<td>Re-designation of Series A and Series B Shares to Series C Shares</td>
<td>–</td>
<td>(2,695)</td>
<td>(5,587)</td>
<td>8,282</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Redemption of One Preferred Share of Subco</td>
<td>(19,433)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(19,433)</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>–</td>
<td>18,600</td>
<td>108,842</td>
<td>273,698</td>
<td>–</td>
<td>401,140</td>
</tr>
<tr>
<td>Issuance of Series C Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>15,000</td>
<td>–</td>
<td>15,000</td>
</tr>
<tr>
<td>Issuance of Series D Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>94,738</td>
<td>94,738</td>
</tr>
<tr>
<td>Changes in fair value</td>
<td>–</td>
<td>6,655</td>
<td>38,539</td>
<td>74,393</td>
<td>5,388</td>
<td>13,125</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>–</td>
<td>25,255</td>
<td>147,381</td>
<td>348,091</td>
<td>20,388</td>
<td>648,978</td>
</tr>
</tbody>
</table>

**The Company**

<table>
<thead>
<tr>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
<th>Series C+</th>
<th>Series D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>10,834</td>
<td>62,941</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issuance of Series C Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>246,741</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Changes in fair value</td>
<td>10,461</td>
<td>51,488</td>
<td>18,675</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Re-designation of Series A and Series B Shares to Series C Shares</td>
<td>(2,695)</td>
<td>(5,587)</td>
<td>8,282</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>18,600</td>
<td>108,842</td>
<td>273,698</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issuance of Series C Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>15,000</td>
<td>–</td>
</tr>
<tr>
<td>Issuance of Series D Preferred Shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>94,738</td>
</tr>
<tr>
<td>Changes in fair value</td>
<td>6,655</td>
<td>38,539</td>
<td>74,393</td>
<td>5,388</td>
<td>13,125</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>25,255</td>
<td>147,381</td>
<td>348,091</td>
<td>20,388</td>
<td>107,863</td>
</tr>
</tbody>
</table>
## 27. SHARE CAPITAL

The Company

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Nominal value of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
</tr>
</tbody>
</table>

Ordinary shares of USD0.00001 each

**Authorized**

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Nominal value of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at January 1, 2021</td>
<td>12,789,571</td>
<td>–*</td>
</tr>
<tr>
<td>Increase in authorized</td>
<td>32,467,892</td>
<td>–*</td>
</tr>
<tr>
<td>ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>45,257,463</td>
<td>–*</td>
</tr>
<tr>
<td>Increase in authorized</td>
<td>35,817</td>
<td>–*</td>
</tr>
<tr>
<td>ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>45,293,280</td>
<td>–*</td>
</tr>
</tbody>
</table>

**Issued and fully paid**

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Nominal value of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at January 1, 2021</td>
<td>6,288,327</td>
<td>–*</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>125,797</td>
<td>–*</td>
</tr>
<tr>
<td>Repurchase of ordinary shares</td>
<td>(2,631,231)</td>
<td>–*</td>
</tr>
<tr>
<td>(Note 26)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>3,782,893</td>
<td>–*</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>50,000</td>
<td>–*</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>3,832,893</td>
<td>–*</td>
</tr>
</tbody>
</table>

* Amount is less than USD1,000.

## 28. TREASURY SHARES

The Company

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Treasury shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>USD’000</td>
</tr>
</tbody>
</table>

As at January 1, 2021

| Restricted shares granted      | 512,000          | 12,489         |
| through the ordinary shares    |                  |               |
| contributed by the Founder     |                  |               |
| Restricted shares vested       | (49,000)         | (1,027)        |

As at December 31, 2021

| Restricted shares granted      | 463,000          | 11,462         |
| through the ordinary shares    |                  |               |
| contributed by the Founder     | 60,770           | 1,633          |
| Restricted shares vested       | (69,000)         | (1,749)        |

As at December 31, 2022

|                                    | 454,770          | 11,346         |

Treasury shares represented unvested restricted shares granted to the directors, employees and consultants of the Group which are from the ordinary shares contributed by Founder as disclosed in Note 30.
29. SHARE PREMIUM AND RESERVES OF THE COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Share premium</th>
<th>Share-based compensation reserve</th>
<th>Other reserve</th>
<th>Foreign exchange reserve</th>
<th>Accumulated losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>13,477</td>
<td>3,122</td>
<td>2,635</td>
<td>(157)</td>
<td>(89,404)</td>
<td>(70,327)</td>
</tr>
<tr>
<td>Loss and total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>comprehensive expenses for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of share options ...</td>
<td>434</td>
<td>(269)</td>
<td>269</td>
<td>(27)</td>
<td>(130,505)</td>
<td>(130,532)</td>
</tr>
<tr>
<td>Restricted shares granted through the ordinary shares contributed by the Founder (Note 28)</td>
<td>-</td>
<td>-</td>
<td>12,489</td>
<td>-</td>
<td>-</td>
<td>12,489</td>
</tr>
<tr>
<td>Vested restricted shares from the ordinary shares contributed by the Founder (Note 30)</td>
<td>-</td>
<td>(1,027)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,027)</td>
</tr>
<tr>
<td>Recognition of share-based compensation</td>
<td>-</td>
<td>6,094</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,094</td>
</tr>
<tr>
<td>Repurchase of ordinary shares</td>
<td>(13,911)</td>
<td>(7,920)</td>
<td>(15,393)</td>
<td>-</td>
<td>(10,086)</td>
<td>(47,310)</td>
</tr>
<tr>
<td>As at December 31, 2021 ...</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss and total comprehensive income (expenses) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>794</td>
<td>(221,828)</td>
<td>(221,034)</td>
</tr>
<tr>
<td>Exercise of share options.</td>
<td>208</td>
<td>(136)</td>
<td>136</td>
<td>-</td>
<td>208</td>
<td></td>
</tr>
<tr>
<td>Restricted shares granted through the ordinary shares contributed by the Founder (Note 28)</td>
<td>-</td>
<td>-</td>
<td>1,633</td>
<td>-</td>
<td>-</td>
<td>1,633</td>
</tr>
<tr>
<td>Vested restricted shares from the ordinary shares contributed by the Founder (Note 30)</td>
<td>-</td>
<td>(1,749)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,749)</td>
</tr>
<tr>
<td>Recognition of share-based compensation</td>
<td>-</td>
<td>12,924</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,924</td>
</tr>
<tr>
<td>As at December 31, 2022 ...</td>
<td>208</td>
<td>11,039</td>
<td>1,769</td>
<td>610</td>
<td>(451,823)</td>
<td>(438,197)</td>
</tr>
</tbody>
</table>

30. SHARE-BASED COMPENSATION

30.1 Share options

In order to provide additional incentives to employees and directors and to promote the success of business, Insilico Inc. had issued several batches of options since 2014 according to the share based compensation plan of Insilico Inc. (collectively called “US plan”). On March 15, 2019, as part of the 2019 Restructuring (see Note 1), the Company became the holding company of the Group and established the InSilico Medicine Cayman Topco 2019 Share Incentive Plan to replace the US plan, with no changes on any of the terms of the options. The new plan was subsequently amended and
restated on December 31, 2019 and August 13, 2020, respectively (collectively called “2019 Share Incentive Plan”), which permits the granting of share options and restricted share awards to employees, directors and consultants of the Group. The Company authorized a total of 1,192,423 shares for issuance under the 2019 Share Incentive Plan, including 909,000 options inherited from the US plan, and has granted 50,000 and 22,500 share options in 2021 and 2022 respectively.

On December 31, 2019, the Company further established the InSilico Medicine Cayman Topco Equity Incentive Plan as adopted on December 31, 2019 (“2019 Equity Incentive Plan”), which permits the granting of equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultants and other eligible persons. The Company authorized 540,484 shares for issuance under the 2019 Equity Incentive Plan and has granted in total of 439,201 and nil share options for the years ended December 31, 2021 and 2022, respectively.

On June 30, 2021, the Company established the InSilico Medicine Cayman Topco 2021 Equity Incentive Plan as adopted on June 30, 2021 (“2021 Equity Incentive Plan”), which permits the granting of incentive share options, nonstatutory share options, share appreciation rights, restricted shares and restricted share units (collectively as “Awards”) to attract and retain employees, directors and consultants and to promote the success of the Group’s business. The Company authorized 700,867 shares for issuance under the 2021 Equity Incentive Plan and has granted in total of 407,882 and 52,330 share options for the years ended December 31, 2021 and 2022 respectively. The options granted expire in ten years from the date of grant.

Details of the options granted under 2019 Share Incentive Plan, 2019 Equity Incentive Plan and 2021 Equity Incentive Plan are as follows:

<table>
<thead>
<tr>
<th>Share award plan</th>
<th>Grantee</th>
<th>Grant during the year of</th>
<th>Vesting schedule defined in contract term</th>
<th>Number of share options granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2014</td>
<td>100% on grant date</td>
<td>84,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2014</td>
<td>100% on grant date</td>
<td>15,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2015</td>
<td>Note i</td>
<td>20,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2015</td>
<td>Note ii</td>
<td>45,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2015</td>
<td>Note i</td>
<td>40,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2016</td>
<td>Note iii</td>
<td>30,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2016</td>
<td>Note iv</td>
<td>80,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2017</td>
<td>Note v</td>
<td>110,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2017</td>
<td>Note vi</td>
<td>5,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2017</td>
<td>100% on grant date</td>
<td>30,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2017</td>
<td>Note v</td>
<td>75,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2017</td>
<td>Note vi</td>
<td>75,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2018</td>
<td>Note vii</td>
<td>15,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2018</td>
<td>Note viii</td>
<td>60,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2018</td>
<td>Note ix</td>
<td>30,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2018</td>
<td>Note vii</td>
<td>195,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2020</td>
<td>Note v</td>
<td>139,860</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2020</td>
<td>Note v</td>
<td>50,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2020</td>
<td>Note x</td>
<td>30,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2020</td>
<td>Note v</td>
<td>130,000</td>
</tr>
<tr>
<td>2019 Equity Incentive Plan</td>
<td>Director</td>
<td>2021</td>
<td>Note v</td>
<td>173,291</td>
</tr>
</tbody>
</table>
### Accounts' Report

<table>
<thead>
<tr>
<th>Share award plan</th>
<th>Grantee</th>
<th>Grant during the year of</th>
<th>Vesting schedule defined in contract term</th>
<th>Number of share options granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Equity Incentive Plan</td>
<td>Employee</td>
<td>2021</td>
<td>Note v</td>
<td>265,910</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Consultant</td>
<td>2021</td>
<td>Note v</td>
<td>15,000</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2021</td>
<td>Note v</td>
<td>35,000</td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Consultant</td>
<td>2021</td>
<td>Note v</td>
<td>25,000</td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Director</td>
<td>2021</td>
<td>Note v</td>
<td>30,000</td>
</tr>
<tr>
<td>(Note xi)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Employee</td>
<td>2021</td>
<td>Note v</td>
<td>352,882</td>
</tr>
<tr>
<td>2019 Share Incentive Plan</td>
<td>Employee</td>
<td>2022</td>
<td>Note v</td>
<td>22,500</td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Consultant</td>
<td>2022</td>
<td>Note v</td>
<td>20,000</td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Director</td>
<td>2022</td>
<td>Note v</td>
<td>13,330</td>
</tr>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Employee</td>
<td>2022</td>
<td>Note v</td>
<td>19,000</td>
</tr>
</tbody>
</table>

### Notes:

i. The vesting schedule is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

ii. The vesting schedule is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

iii. The vesting schedule is over 6 years in 6 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

iv. The vesting schedule is over 10 years in 10 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

v. The vesting schedule is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

vi. The vesting schedule is over 4 years in 48 equal monthly installments from the vesting commencement date as stipulated in respective grant notices.

vii. The vesting schedule is over 3 years with 1/3 of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 of the options vesting in 24 equal monthly installments from such one year anniversary of the vesting commencement date.

viii. The vesting schedule is over 3 years in 36 equal monthly installments from the vesting commencement date as stipulated in respective grant notices.

ix. The vesting schedule is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.
The vesting schedule is over 5 years with 20% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 80% of the options vesting in 48 equal monthly installments from such one year anniversary of the vesting commencement date.

The director resigned from the Company in August 2022.

The following table summarized the Company’s share option activities under 2019 Share Incentive Plan, 2019 Equity Incentive Plan and 2021 Equity Incentive Plan for the years ended December 31, 2021 and 2022:

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Weighted average exercise price USD</th>
<th>Weighted average grant date fair value USD</th>
<th>Weighted average remaining contractual life Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2020</td>
<td>1,125,006</td>
<td>4.75</td>
<td>3.93</td>
</tr>
<tr>
<td>Granted</td>
<td>897,083</td>
<td>15.19</td>
<td>15.07</td>
</tr>
<tr>
<td>Exercised*</td>
<td>(139,365)</td>
<td>5.27</td>
<td>1.93</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(86,948)</td>
<td>4.60</td>
<td>2.79</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2021</td>
<td>1,795,776</td>
<td>9.93</td>
<td>9.71</td>
</tr>
<tr>
<td>Granted</td>
<td>74,830</td>
<td>24.60</td>
<td>22.65</td>
</tr>
<tr>
<td>Exercised</td>
<td>(50,000)</td>
<td>4.17</td>
<td>2.73</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(184,440)</td>
<td>11.37</td>
<td>11.99</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2022</td>
<td>1,636,166</td>
<td>10.61</td>
<td>10.26</td>
</tr>
</tbody>
</table>

* For the year ended December 31, 2021, the Company total issued 125,797 ordinary shares due to the net share settlement effect.

For share options exercised during the years ended December 31, 2021 and 2022, the weighted average share price at the date of exercise was USD21.857 and USD28.192.

**Fair value of share options**

For share options granted during the years ended December 31, 2021 and 2022, the weighted average fair value of those options at the measurement date was USD15.073 and USD22.647.

The Company applies the binomial option pricing model in determining the fair value of stock options. The key assumptions used to estimate the fair value of the share options granted in 2021 and 2022 are as follows:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.39%~1.94%</td>
<td>2.06%~3.89%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Expected volatility range</td>
<td>65.95%~73.08%</td>
<td>69.01%~71.68%</td>
</tr>
<tr>
<td>Exercise multiples</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Contractual life</td>
<td>10 Years</td>
<td>10 Years</td>
</tr>
<tr>
<td>Fair value of underlying ordinary shares</td>
<td>USD 16.035~25.042</td>
<td>USD 27.695~34.077</td>
</tr>
</tbody>
</table>

The Company estimated expected volatility by reference to the historical price volatilities of ordinary shares of comparable companies over a period close to the contract term of the options. The Company estimated the risk free interest rate based on the yield to maturity of US government bonds at
grant date with a maturity period close to the contract term of options. The dividend yield was estimated as zero based on the plan to retain profit for corporate expansion and no dividend will be distributed in the near future. The Company determined the fair value of ordinary shares underlying each share option grant based on estimated equity value and allocation of it to each element of its capital structure. The assumptions used in share-based compensation expenses recognition represent the Company’s best estimates, but these estimations involve inherent uncertainties and the application of judgement. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period.

**Share-based compensation expenses for all share options**

Total share-based compensation expenses for all share options recognized for the years ended December 31, 2021 and 2022 were as follows:

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>1,611</td>
<td>1,563</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>2,476</td>
<td>3,798</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>167</td>
<td>476</td>
</tr>
<tr>
<td>Total share-based compensation expenses</td>
<td>4,254</td>
<td>5,837</td>
</tr>
</tbody>
</table>

**30.2 Restricted shares units under 2021 Equity Incentive Plan**

The Company authorized 700,867 shares for issuance under the 2021 Equity Incentive Plan and has granted in total of nil and 40,000 restricted shares units for the years ended December 31, 2021 and 2022, respectively.

Details of the restricted shares units granted under 2021 Equity Incentive Plan are as follows:

<table>
<thead>
<tr>
<th>Share award plan</th>
<th>Grantee</th>
<th>Grant date</th>
<th>Vesting schedule defined in contract term</th>
<th>Subscribe price</th>
<th>Number of restricted shares units granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 Equity Incentive Plan</td>
<td>Director</td>
<td>25/11/2022</td>
<td>Note i</td>
<td>–</td>
<td>40,000</td>
</tr>
</tbody>
</table>

Note:

i The restricted shares units will vest with 1/3 vesting on the day of an [REDACTED] after the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 vesting in 24 equal monthly installments from such [REDACTED].

The following table summarized the Company’s restricted shares units activities under 2021 Equity Incentive Plan for the years ended December 31, 2021 and 2022:

<table>
<thead>
<tr>
<th>Number of restricted shares units</th>
<th>Weighted average subscribe price</th>
<th>Weighted average grant date fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2020 and 2021</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Granted</td>
<td>40,000</td>
<td>34.08</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2022</td>
<td>40,000</td>
<td>34.08</td>
</tr>
</tbody>
</table>
APPENDIX I ACCOUNTANTS’ REPORT

Fair value of restricted shares units under 2021 Equity Incentive Plan

The fair value of the Founder shares granted was determined using the grant date fair value of the underlying ordinary shares of the Company. The Group used the back-solve method or discounted cash flow method to determine the underlying equity fair value of the Company. The foresaid underlying equity fair value of the Company at date of grant was valued by directors of the Company with the assistance of an independent qualified valuer.

Share-based compensation expenses for all restricted shares under 2021 Equity Incentive Plan

Total share-based compensation expenses for all restricted shares under 2021 Equity Incentive Plan recognized for the years ended December 31, 2021 and 2022 were as follows:

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 USD’000</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>–</td>
</tr>
</tbody>
</table>

30.3 Restricted shares granted through the ordinary shares contributed by the Founder

To retain the best talents for the Group, and in order to incentivize the directors, employees and non-employee consultants (collectively as “the Purchaser”) to provide services of the highest quality to the Group, the Founder of the Company granted 512,000 and 60,770 ordinary shares held by him at par value to the directors, employees and consultants for the years ended December 31, 2021 and 2022, respectively. For the shares granted for the year ended December 31, 2021 and 2022, 49,000 and 57,000 shares were vested immediately upon grant, while the remaining grants would be vested after requisite service periods. This transaction is in substance, share-based compensation expenses incurred by the Founder on behalf of the Company, and accounted for as a capital contribution by the Founder to the Company accompanied with a simultaneous grant by the Company. The Group recognized compensation expenses based on the fair value of the shares as of the grant dates with a corresponding increase in share-based payments reserve.

Details of the restricted shares granted through the ordinary shares contributed by the Founder are as follows:

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Grant during the year of</th>
<th>Vesting schedule defined in contract term</th>
<th>Number of restricted shares granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant</td>
<td>2019</td>
<td>100% on grant date</td>
<td>5,000</td>
</tr>
<tr>
<td>Employee</td>
<td>2019</td>
<td>100% on grant date</td>
<td>285,000</td>
</tr>
<tr>
<td>Employee</td>
<td>2020</td>
<td>100% on grant date</td>
<td>5,000</td>
</tr>
<tr>
<td>Consultant</td>
<td>2021 Note iii</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Consultant</td>
<td>2021 100% on grant date</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Consultant</td>
<td>2021 Note ii</td>
<td></td>
<td>362,000</td>
</tr>
<tr>
<td>Director</td>
<td>2021</td>
<td>100% on grant date</td>
<td>10,000</td>
</tr>
<tr>
<td>Director</td>
<td>2021 Note ii</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Employee</td>
<td>2021 Note i</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Employee</td>
<td>2021 Note ii</td>
<td></td>
<td>71,000</td>
</tr>
<tr>
<td>Employee</td>
<td>2021 Upon the achievement of certain performance conditions</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Consultant</td>
<td>2022</td>
<td>100% on grant date</td>
<td>25,000</td>
</tr>
<tr>
<td>Director</td>
<td>2022 Note ii</td>
<td></td>
<td>3,770</td>
</tr>
<tr>
<td>Employee</td>
<td>2022</td>
<td>100% on grant date</td>
<td>32,000</td>
</tr>
</tbody>
</table>
APPENDIX I ACCOUNTANTS’ REPORT

Notes:

i The vesting schedule is 18 months following the vesting commencement date or until [REDACTED], whichever is later.

ii The vesting schedule is 2 years following the vesting commencement date or until [REDACTED], whichever is later.

iii The vesting schedule is 1 year following the vesting commencement date or until [REDACTED], whichever is later.

Fair value of Founder shares grant

The fair value of the Founder shares granted was determined using the grant date fair value of the underlying ordinary shares of the Company. The Group used the back-solve method or discounted cash flow method to determine the underlying equity fair value of the Company. The foresaid underlying equity fair value of the Company at date of grant was valued by directors of the Company with the assistance of an independent qualified valuer.

The following table summarized the restricted shares granted through the ordinary shares contributed by the Founder during the years ended December 31, 2021 and 2022:

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Weighted average grant date fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
</tr>
<tr>
<td>Unvested as of December 31, 2020</td>
<td>–</td>
</tr>
<tr>
<td>Granted by the Founder</td>
<td>512,000</td>
</tr>
<tr>
<td>Vested</td>
<td>(49,000)</td>
</tr>
<tr>
<td>Unvested as of December 31, 2021</td>
<td>463,000</td>
</tr>
<tr>
<td>Granted by the Founder</td>
<td>60,770</td>
</tr>
<tr>
<td>Vested</td>
<td>(69,000)</td>
</tr>
<tr>
<td>Unvested as of December 31, 2022</td>
<td>454,770</td>
</tr>
</tbody>
</table>

Note:

Unvested restricted shares granted to the directors, employees and consultants of the Group which are from the ordinary shares contributed by Founder are recorded in treasury shares as disclosed in Note 28.

Share-based compensation expenses for Founder shares grant

Total share-based compensation expenses for Founder shares grant recognized for the years ended December 31, 2021 and 2022 were as follows:

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>720</td>
<td>4,711</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,092</td>
<td>1,355</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>28</td>
<td>943</td>
</tr>
<tr>
<td>Total share-based compensation expenses</td>
<td>1,840</td>
<td>7,009</td>
</tr>
</tbody>
</table>
31. DISPOSAL OF A SUBSIDIARY

In October 2022, the Group disposed 100% equity interest of its wholly owned subsidiary InSilico LLC to an independent third party. The aggregate net assets of InSilico LLC at the date of disposal was as follows:

Consideration received:
Cash received ....................................................... – *

Analysis of assets and liabilities over which control was lost:

<table>
<thead>
<tr>
<th>Date</th>
<th>USD'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/10/2022</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets:</th>
<th>USD'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>45</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>207</td>
</tr>
<tr>
<td>Trade and other receivables and prepayments</td>
<td>51</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,215</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>USD'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>(115)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>(214)</td>
</tr>
</tbody>
</table>

Net assets disposed of ............................................. 2,189

Loss on disposal of a subsidiary:

<table>
<thead>
<tr>
<th>USD'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consideration received</td>
</tr>
<tr>
<td>Net assets disposed of</td>
</tr>
<tr>
<td>Loss on disposal</td>
</tr>
</tbody>
</table>

Net cash outflow arising on disposal

<table>
<thead>
<tr>
<th>USD'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents disposed of</td>
</tr>
<tr>
<td>Less: cash consideration</td>
</tr>
</tbody>
</table>

2,215

* Amount is less than USD1,000.

32. RELATED PARTY TRANSACTIONS

Other than as disclosed in Note 13, 22 and 30 in the Historical Financial Information, the Group has the following transactions with its related parties during the Track Record Period.

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

<table>
<thead>
<tr>
<th>Companies</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuxi Apptec Co. Ltd. and subsidiaries (“Wuxi Group”)</td>
<td>A shareholder of the Group</td>
</tr>
<tr>
<td>Juvenscence UK Ltd. (Note a)</td>
<td>A shareholder of the Group</td>
</tr>
</tbody>
</table>
APPENDIX 1 ACCOUNTANTS’ REPORT

Note:

a. Due to the repurchase of Series A and Series B Preferred Shares in June 2021, Juvenescence UK Ltd., was no longer a related party to the Group since June 30, 2021.

(2) Related party transactions:

(a) R&D expense and Cost of services for contract research organizations (“CRO”) services

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Wuxi Group</td>
<td>12,899</td>
<td>20,611</td>
</tr>
</tbody>
</table>

(b) Revenue from drug discovery, software licensing services

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Juvenescence UK Ltd. (Note)</td>
<td>500</td>
<td>–</td>
</tr>
</tbody>
</table>

Note:
The amount disclosed here represents the service revenues from related party for the period from January 1, 2021 to June 30, 2021 (the day it ceased to be the related party of the Group).

(3) Compensation of key management personnel

The remuneration of members of key management of the Group during the Track Record Period were as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td></td>
</tr>
<tr>
<td>Salaries and other benefits</td>
<td>1,119</td>
<td>2,310</td>
</tr>
<tr>
<td>Retirement benefits scheme contribution</td>
<td>59</td>
<td>119</td>
</tr>
<tr>
<td>Discretionary bonus (Note)</td>
<td>671</td>
<td>1,999</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>2,819</td>
<td>4,714</td>
</tr>
</tbody>
</table>

4,669 9,142

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

33. CAPITAL COMMITMENTS

As at December 31,

<table>
<thead>
<tr>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Capital expenditure contracted for but not provided in the Historical Financial Information in respect of:</td>
<td></td>
</tr>
<tr>
<td>- acquisition of intangible assets and equipment</td>
<td>6,219</td>
</tr>
</tbody>
</table>
34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes lease liabilities disclosed in Note 25 and financial liabilities at FVTPL disclosed in Note 26, net of bank balances and cash disclosed in Note 23 and equity attributable to owners of the Company, comprising share capital, treasury shares, share premium and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues or issue of new debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>USD’000</th>
<th>USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortized cost</td>
<td>162,622</td>
<td>213,324</td>
</tr>
<tr>
<td>Financial assets at FVTPL</td>
<td>2,063</td>
<td>1,025</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>USD’000</th>
<th>USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortized cost</td>
<td>6,436</td>
<td>21,371</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>401,140</td>
<td>648,978</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lease liabilities</th>
<th>USD’000</th>
<th>USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,108</td>
<td>3,223</td>
</tr>
</tbody>
</table>

The Company

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>USD’000</th>
<th>USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortized cost</td>
<td>143,867</td>
<td>149,132</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>USD’000</th>
<th>USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortized cost</td>
<td>2,554</td>
<td>2,025</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>401,140</td>
<td>648,978</td>
</tr>
</tbody>
</table>

(b) Financial risk management objectives and policies

The Group’s major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, bank balances, trade and other payables, amount due to a related party, lease liabilities and financial liabilities at FVTPL. The Company’s major financial assets and liabilities include bank balances, trade and other payables, amount due to subsidiaries and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.
The risks associated with these financial assets and liabilities include market risks, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

The Group’s and the Company’s activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group’s and the Company’s exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

**The Group**

<table>
<thead>
<tr>
<th></th>
<th>As at December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 USD’000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>RUB</td>
<td>288</td>
</tr>
<tr>
<td>RMB</td>
<td>–</td>
</tr>
<tr>
<td>HK$</td>
<td>36</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>RUB</td>
<td>658</td>
</tr>
<tr>
<td>HK$</td>
<td>77</td>
</tr>
</tbody>
</table>

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in USD against RUB, RMB or HK$, the foreign currency with which the Group may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where USD strengthens 5% against RUB, RMB or HK$. For a 5% weakening of USD against RUB, RMB or HK$, there would be an equal and opposite impact on loss for the year.

**Impact on profit or loss**

**The Group**

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 USD’000</td>
</tr>
<tr>
<td><strong>Impact on profit or loss</strong></td>
<td></td>
</tr>
<tr>
<td>RUB</td>
<td>18</td>
</tr>
<tr>
<td>RMB</td>
<td>–</td>
</tr>
<tr>
<td>HK$</td>
<td>2</td>
</tr>
</tbody>
</table>
(ii) Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to lease liabilities (Note 25) and cash flow interest rate risk in relation to bank balances (Note 23). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from issue of preferred shares, which were classified as financial liabilities at FVTPL for the year ended December 31, 2021 and 2022.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the Company had been changed based on the 5% higher/lower:

The Group and the Company

• the post-tax loss for the year ended December 31, 2021 would increase by approximately USD19,089,000 and decrease by approximately USD19,108,000; and

• the post-tax loss for the year ended December 31, 2022 would increase by approximately USD31,206,000 and decrease by approximately USD31,229,000.

Credit risk

The carrying amounts of trade receivables, other receivables, bank balances included in the consolidated statements of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The ECL on trade receivables are assessed collectively using a provision matrix based on the past default experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions and industry in which the debtor operates and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period. Management considered the ECL provision of trade receivables is insignificant as these balances are mainly due from a counterparty of good credit quality.

Other receivables and other non-current assets

For other receivables and other non-current assets, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables and other non-current assets are assessed collectively using a provision matrix based on the past default experience of the debtor, adjusted for factors
that are specific to the debtors, general economic conditions and industry in which the debtor operates and
an assessment of both the current as well as the forecast direction of conditions at the end of each reporting
period. Management considered the ECL provision of other receivables and other non-current assets is
insignificant.

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings
assigned by international credit-rating agencies.

The Group’s internal credit risk grading assessment comprises the following categories:

<table>
<thead>
<tr>
<th>Internal credit rating</th>
<th>Description</th>
<th>Trade receivables</th>
<th>Other financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td>The counterparty has a low risk of default and does not have any past-due amounts</td>
<td>Lifetime ECL - not credit-impaired</td>
<td>12m ECL</td>
</tr>
<tr>
<td>Watch list</td>
<td>Debtor frequently repays after due dates but usually settle in full</td>
<td>Lifetime ECL - not credit-impaired</td>
<td>12m ECL</td>
</tr>
<tr>
<td>Doubtful</td>
<td>There have been significant increases in credit risk since initial recognition through information developed internally or external resources</td>
<td>Lifetime ECL - not credit-impaired</td>
<td>Lifetime ECL - not credit-impaired</td>
</tr>
<tr>
<td>Loss</td>
<td>There is evidence indicating the asset is credit-impaired</td>
<td>Lifetime ECL - credit-impaired</td>
<td>Lifetime ECL - credit-impaired</td>
</tr>
<tr>
<td>Write-off</td>
<td>There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery</td>
<td>Amount is written off</td>
<td>Amount is written off</td>
</tr>
</tbody>
</table>

The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets, which are subject to ECL assessment:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Internal credit rating</th>
<th>12m or lifetime ECL</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>As at December 31, 2021</td>
<td>As at December 31, 2022</td>
</tr>
<tr>
<td>Notes</td>
<td></td>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
</tbody>
</table>

Financial assets at amortized cost

Trade receivables and other receivables . . . 21 Low risk 12m ECL 946 5,176 – –
Other non-current assets . . . . . . . . . . . . 20 Low risk 12m ECL 174 538 – –
Bank balances . . . . . . . . . . . . . . . . . . 23 N/A 12m ECL 161,540 207,882 143,867 149,132
a) The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

<table>
<thead>
<tr>
<th></th>
<th>Lifetime ECL (not credit-impaired)</th>
<th>Lifetime ECL (credit-impaired)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>5</td>
<td>–</td>
<td>5</td>
</tr>
<tr>
<td>- Impairment losses recognized</td>
<td>34</td>
<td>–</td>
<td>34</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>39</td>
<td>–</td>
<td>39</td>
</tr>
<tr>
<td>- Transfer to credit-impaired</td>
<td>(3)</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>- Impairment losses recognized</td>
<td>162</td>
<td>72</td>
<td>234</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>198</td>
<td>75</td>
<td>273</td>
</tr>
</tbody>
</table>

*Liquidity risk*

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s and the Company’s operations and mitigate the effects of fluctuations in cash flows. The Group relies on issuance of preferred shares and ordinary shares as significant sources of liquidity. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due and to sustain its operations for the foreseeable future.
APPENDIX I 
ACCOUNTANTS’ REPORT

The following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

<table>
<thead>
<tr>
<th>Weighted Average effective interest rate</th>
<th>Within 1 year and on demand %</th>
<th>1 to 2 years USD’000</th>
<th>2 to 5 years USD’000</th>
<th>Over 5 years USD’000</th>
<th>Total USD’000</th>
<th>Carrying amount USD’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payables</td>
<td>–</td>
<td>3,854</td>
<td>–</td>
<td>–</td>
<td>3,854</td>
<td>3,854</td>
</tr>
<tr>
<td>Amounts due to a related party</td>
<td>–</td>
<td>2,582</td>
<td>–</td>
<td>–</td>
<td>2,582</td>
<td>2,582</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>–</td>
<td>323,679</td>
<td>–</td>
<td>–</td>
<td>323,679</td>
<td>401,140</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1.75 to 9.23</td>
<td>711</td>
<td>382</td>
<td>72</td>
<td>1,165</td>
<td>1,108</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>330,826</td>
<td>382</td>
<td>72</td>
<td>331,280</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payables</td>
<td>–</td>
<td>12,949</td>
<td>–</td>
<td>–</td>
<td>12,949</td>
<td>12,949</td>
</tr>
<tr>
<td>Amounts due to a related party</td>
<td>–</td>
<td>8,422</td>
<td>–</td>
<td>–</td>
<td>8,422</td>
<td>8,422</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>2.44 to 4.15</td>
<td>1,462</td>
<td>1,213</td>
<td>681</td>
<td>3,356</td>
<td>3,223</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>481,495</td>
<td>1,213</td>
<td>681</td>
<td>483,389</td>
</tr>
<tr>
<td>The Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payables</td>
<td>–</td>
<td>1,907</td>
<td>–</td>
<td>–</td>
<td>1,907</td>
<td>1,907</td>
</tr>
<tr>
<td>Amounts due to subsidiaries</td>
<td>–</td>
<td>647</td>
<td>–</td>
<td>–</td>
<td>647</td>
<td>647</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>–</td>
<td>323,679</td>
<td>–</td>
<td>–</td>
<td>323,679</td>
<td>401,140</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>326,233</td>
<td>–</td>
<td>–</td>
<td>326,233</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payables</td>
<td>–</td>
<td>1,700</td>
<td>–</td>
<td>–</td>
<td>1,700</td>
<td>1,700</td>
</tr>
<tr>
<td>Amounts due to a subsidiary</td>
<td>–</td>
<td>325</td>
<td>–</td>
<td>–</td>
<td>325</td>
<td>325</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>460,687</td>
<td>–</td>
<td>–</td>
<td>460,687</td>
</tr>
</tbody>
</table>
(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(i) Financial assets and liabilities measured at fair values on a recurring basis

The Group’s financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial liabilities are determined (in particular, the valuation techniques and inputs used).

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Fair value at December 31, 2021</th>
<th>Fair value at December 31, 2022</th>
<th>Valuation techniques and key inputs</th>
<th>Significant unobservable inputs</th>
<th>Relationship of unobservable inputs to fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Investments with Readily Determinable Fair Value</td>
<td>USD’000</td>
<td>USD’000</td>
<td>Level 1</td>
<td>Active market quoted transaction price</td>
<td>N/A</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>USD’000</td>
<td>USD’000</td>
<td>DCF Model and OPM Model - the key inputs are possibilities under different scenarios as disclosed in note 26 and volatility</td>
<td>Volatility 2021: 71.92% 2022: 75.09% Probability of [REDACTED] scenario 2021: 70.00% 2022: 70.00%</td>
<td>The higher the volatility, the lower the fair value (note i) The higher the probability of [REDACTED] scenario, the higher the fair value (note ii)</td>
</tr>
<tr>
<td>Financial liabilities at FVTPL</td>
<td>USD’000</td>
<td>USD’000</td>
<td>Level 3</td>
<td>DCF Model and OPM Model - the key inputs are possibilities under different scenarios as disclosed in note 26 and volatility</td>
<td>Volatility 2021: 71.92% 2022: 75.09% Probability of [REDACTED] scenario 2021: 70.00% 2022: 70.00%</td>
</tr>
</tbody>
</table>

Note: A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of financial liabilities as at December 31, 2021 and 2022 by USD 577,000 and USD 602,000, respectively, increase the carrying amount as at December 31, 2021 and 2022 by USD 586,000 and USD 598,000, respectively.

Note ii: A 5% increase/decrease in the probability of [REDACTED] scenario, while all other variables keep constant, would increase the carrying amount of financial liabilities as at December 31, 2021 and 2022 by USD 2,172,000 and USD 2,673,000, respectively, decrease the carrying amount as at December 31, 2021 and 2022 by USD 2,172,000 and USD 2,673,000, respectively.

There were no transfers between different levels during the Track Record Period.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

(iii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for preferred shares is set out in Note 26. Fair value gains or losses on financial liabilities at FVTPL are included in “other gains and loss, net.”
(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors of the Company perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of each reporting period with the assistance of independent qualified valuers. The finance department of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

36. RETIREMENT BENEFIT PLANS

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group’s PRC subsidiaries make contributions to the government for these benefits based on certain percentages of the employees’ salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were USD742,000 and USD2,008,000 for the Group’s PRC subsidiaries for the years ended December 31, 2021 and 2022, respectively.

In Taiwan, the government also mandated defined contribution plan including certain pension benefits, medical care, unemployment insurance and other welfare benefits, to be provided to full time employees of the Group. The local regulations require that the Group’s Taiwan subsidiary make contributions to the government for these benefits based on certain percentage of the employee’s salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were USD36,000 and USD119,000 for the Group’s Taiwan subsidiary for the years ended December 31, 2021 and 2022, respectively.

In United States, the Group sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code, which covers US employees who are 21 years of age and over. Under this plan, the Group matches voluntary employee contributions from their annual compensation. The total amounts for such employee benefits, which were expensed as incurred, were nil and USD90,000 for the Group’s US subsidiary for the years ended December 31, 2021 and 2022, respectively.
### 37. PARTICULARS OF SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct or indirect equity interests in the following subsidiaries:

<table>
<thead>
<tr>
<th>Name of subsidiaries</th>
<th>Region and date of establishment/incorporation</th>
<th>Issued and fully Paid-in/registered capital</th>
<th>Equity interest attributable to the Company</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>SubCo (note i)</td>
<td>Cayman/November 19, 2018</td>
<td>US$100 US$100</td>
<td>100% – 100%</td>
<td>Holding company</td>
</tr>
<tr>
<td>InSilico HK (note ii)</td>
<td>Hong Kong/January 11, 2019</td>
<td>US$100 US$100</td>
<td>100% – –</td>
<td>R&amp;D collaboration and software solution</td>
</tr>
<tr>
<td>InSilico TW (note iii)</td>
<td>Taiwan/April 16, 2018</td>
<td>TWD TWD</td>
<td>100% – –</td>
<td>Business development</td>
</tr>
<tr>
<td>InSilico US (note i)</td>
<td>Delaware/February 11, 2019</td>
<td>US$0.001 US$0.001</td>
<td>100% – 100%</td>
<td>Software solution</td>
</tr>
<tr>
<td>InSilico IP (note ii)</td>
<td>Hong Kong/July 21, 2019</td>
<td>US$100 US$100</td>
<td>100% – 100%</td>
<td>IP ownership</td>
</tr>
<tr>
<td>InSilico SH (note iv)</td>
<td>China/June 13, 2019</td>
<td>US$20,000,000,000 US$10,000,000</td>
<td>100% – 100%</td>
<td>New drug discovery</td>
</tr>
<tr>
<td>Mir Pharma (note ii)</td>
<td>Hong Kong/June 1, 2021</td>
<td>US$100 US$100</td>
<td>100% – 100%</td>
<td>Business development</td>
</tr>
<tr>
<td>InSilico LLC (note i)</td>
<td>Russia/June 2, 2016</td>
<td>- (Note vi) RUB21,000</td>
<td>100% – –</td>
<td>AI development</td>
</tr>
<tr>
<td>InSilico SZ (note iv)</td>
<td>China/September 1, 2021</td>
<td>RMB RMB</td>
<td>100% – –</td>
<td>R&amp;D collaboration and software solution</td>
</tr>
<tr>
<td>InSilico Canada (note v)</td>
<td>Canada/June 6, 2022</td>
<td>CAD100 - (Note vii)</td>
<td>– – 100%</td>
<td>AI development and Business development</td>
</tr>
<tr>
<td>InSilico AI (note v)</td>
<td>United Arab Emirates/July 29, 2022</td>
<td>AED50,000 - (Note vii)</td>
<td>– – – 100%</td>
<td>AI development</td>
</tr>
</tbody>
</table>

**Notes:**

i  No audited financial statements have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.

ii The statutory financial statements of these subsidiaries for the year ended December 31, 2021 were prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. The statutory financial statements of these subsidiaries for the year ended December 31, 2022 have not been prepared as they are not due for issue.

iii The statutory financial statements of this subsidiary for the year ended December 31, 2021 were prepared in accordance with IFRSs, International Accounting Standards, International Financial Reporting Issues Committee, and IASB Standing Interpretations Committee endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and were audited by Deloitte & Touche, certified public accountants registered in Taiwan. The statutory financial statements of this subsidiary for the year ended December 31, 2022 have not been prepared as they are not due for issue.

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This document is in draft form, incomplete and subject to change and that the information must be read in conjunction with the section headed “WARNING” on the cover of this document.
iv The statutory financial statements of these subsidiaries for the year ended December 31, 2021 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC. The statutory financial statements of these subsidiaries for the year ended December 31, 2022 have not been prepared as they are not due for issue.

v No statutory audited financial statements have been prepared for the years ended December 31, 2021 or 2022 as they are newly incorporated and the financial statements have not yet been due to issue.

vi The subsidiary was disposed of by the Group in October 2022.

vii The subsidiaries were newly incorporated by the Group in 2022.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

<table>
<thead>
<tr>
<th></th>
<th>Lease liabilities</th>
<th>Financial liabilities at FVTPL</th>
<th>Deferred share issue costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>As at January 1, 2021</td>
<td>392</td>
<td>92,722</td>
<td>–</td>
<td>93,114</td>
</tr>
<tr>
<td>Financing cash flow</td>
<td>(413)</td>
<td>227,308</td>
<td>(610)</td>
<td>226,285</td>
</tr>
<tr>
<td>Deferred professional service fee</td>
<td>–</td>
<td>–</td>
<td>1,874</td>
<td>1,874</td>
</tr>
<tr>
<td>accrued</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,874</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>11</td>
<td>–</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>New leases entered</td>
<td>1,082</td>
<td>–</td>
<td>–</td>
<td>1,082</td>
</tr>
<tr>
<td>Fair value change</td>
<td>–</td>
<td>81,110</td>
<td>–</td>
<td>81,110</td>
</tr>
<tr>
<td>Finance cost</td>
<td>36</td>
<td>–</td>
<td>–</td>
<td>36</td>
</tr>
<tr>
<td>As at December 31, 2021</td>
<td>1,108</td>
<td>401,140</td>
<td>1,264</td>
<td>403,512</td>
</tr>
<tr>
<td>Financing cash flow</td>
<td>(1,070)</td>
<td>109,738</td>
<td>(1,728)</td>
<td>106,940</td>
</tr>
<tr>
<td>Deferred professional service fee</td>
<td>–</td>
<td>–</td>
<td>1,852</td>
<td>1,852</td>
</tr>
<tr>
<td>accrued</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,852</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>(62)</td>
<td>–</td>
<td>–</td>
<td>(62)</td>
</tr>
<tr>
<td>Fair value change</td>
<td>–</td>
<td>138,100</td>
<td>–</td>
<td>138,100</td>
</tr>
<tr>
<td>Finance cost</td>
<td>99</td>
<td>–</td>
<td>–</td>
<td>99</td>
</tr>
<tr>
<td>New leases entered</td>
<td>3,750</td>
<td>–</td>
<td>–</td>
<td>3,750</td>
</tr>
<tr>
<td>Disposal of a subsidiary</td>
<td>(214)</td>
<td>–</td>
<td>–</td>
<td>(214)</td>
</tr>
<tr>
<td>Termination of lease</td>
<td>(388)</td>
<td>–</td>
<td>–</td>
<td>(388)</td>
</tr>
<tr>
<td>As at December 31, 2022</td>
<td>3,223</td>
<td>648,978</td>
<td>1,388</td>
<td>653,589</td>
</tr>
</tbody>
</table>

39. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into new lease agreements for the use of leased properties. On the lease commencement, the Group recognized right-of-use assets and lease liabilities of USD3,750,000 and USD1,082,000 for the year ended December 31, 2021 and 2022, respectively.
40. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2022:

(i) Pursuant to the written resolutions of the shareholders of the Company passed on [DATE], the shareholders resolved to, among other things, conduct the [REDACTED] pursuant to which each share in the Company’s then issued and unissued share capital with a par value of US$0.00001 split into [REDACTED] shares of the corresponding class with a par value of US$[REDACTED] each effective upon the conditions of the [REDACTED] and the [REDACTED] being fulfilled.

(ii) The Company modified the redemption rights for preferred shareholders as described in Note 26.2 as follows:

The redemption rights have ceased to be effective immediately before the Company’s submission of [REDACTED] for the [REDACTED] of the shares on the Stock Exchange (the “[REDACTED]”). The redemption rights shall be automatically reinstated upon the earliest of: (i) the return or rejection of the [REDACTED] from the Stock Exchange; (ii) the Company serving a notice of withdrawal of the [REDACTED] to the Stock Exchange; (iii) the non-renewal of the [REDACTED] to the Stock Exchange within six months after the [REDACTED] has lapsed; or (iv) the failure by the Company to achieve a Qualified [REDACTED] within 18 months after the date of the [REDACTED] to the Stock Exchange.

(iii) Further on April 6, 2023, the board of directors approved the proposed issue of 144,203 share options to employees. The vesting schedule is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2022 and up to the date of this report.
APPENDIX II

[REDACTED]

[REDACTED]
APPENDIX II

[REDACTED]

[REDACTED]
APPENDIX II

[REDACTED]
APPENDIX II

[REDACTED]
APPENDIX III  SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the “Companies Act”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 19, 2018 under the Companies Act. The Company’s constitutional documents consist of its Memorandum and Articles.

1 Memorandum of Association

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 Articles of Association

The Articles were adopted on [Date]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than person(s) together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.
APPENDIX III  
SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

(c) *Alteration of capital*

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(d) *Transfer of shares*

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.
The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on their behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong as amended from time to time) as at the date of the adoption of the Articles (or its equivalent provision from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) **Power of the Company to purchase its own shares**

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) **Calls on shares and forfeiture of shares**

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money’s worth, all or any part of the money uncalled and
unpaid or installments payable upon any shares held by him, and in respect of all or any of the
monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per
annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment,
the Board may, for so long as any part of the call or installment remains unpaid, serve not less
than 14 days’ notice on the member requiring payment of so much of the call or installment as is
unpaid, together with any interest which may have accrued and which may still accrue up to the
date of actual payment. The notice shall name a further day (not earlier than the expiration of 14
days from the date of the notice) on or before which the payment required by the notice is to be
made, and shall also name the place where payment is to be made. The notice shall also state that,
in the event of non-payment at or before the appointed time, the shares in respect of which the call
was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which
the notice has been given may at any time thereafter, before the payment required by the notice
has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include
all dividends and bonuses declared in respect of the forfeited share and not actually paid before
the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the
forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at
the date of forfeiture, were payable by them to the Company in respect of the shares together with
(if the Board shall in its discretion so require) interest thereon from the date of forfeiture until
payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 

Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a
Director either to fill a casual vacancy on the Board or as an additional Director to the existing
Board subject to any maximum number of Directors, if any, as may be determined by the
members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office
only until the first annual general meeting of the Company after their appointment and be subject
to re-election at such meeting. Any Director so appointed as an addition to the existing Board
shall hold office only until the first annual general meeting of the Company after their
appointment and be eligible for re-election at such meeting. Any Director so appointed by the
Board shall not be taken into account in determining the Directors or the number of Directors who
are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from
office by rotation. However, if the number of Directors is not a multiple of three, then the number
nearest to but not less than one third shall be the number of retiring Directors. The Directors to
retire in each year shall be those who have been in office longest since their last re-election or
appointment but, as between persons who became or were last re-elected Directors on the same
day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for
election, be eligible for election to the office of Director at any general meeting, unless notice in
writing of the intention to propose that person for election as a Director and notice in writing by
that person of their willingness to be elected has been lodged at the head office or at the
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registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of their term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between them and the Company) and the Company may by ordinary resolution appoint another in their place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if they:

(i) resign;
(ii) die;
(iii) are declared to be of unsound mind and the Board resolves that their office be vacated;
(iv) become bankrupt or has a receiving order made against them or suspends payment or compounds with their creditors generally;
(v) are prohibited from being or ceases to be a director by operation of law;
(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that their office is vacated;
(vii) have been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
(viii) are removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to
dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting,
as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to their ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company’s monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, their actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with their retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.
(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with their office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by them as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by their office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of their interest at the earliest meeting of the Board at which they may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which they or any of their close associate(s) has/have a material interest, and if they shall do so their vote shall not be counted nor shall they be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or their close associate(s) in respect of money lent or obligations incurred or undertaken by any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or their close associate(s) have themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an [REDACTED] of [REDACTED], debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or their close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the [REDACTED];

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:

(A) any employees’ share scheme or any share incentive or share option scheme under which the Director or their close associate(s) may benefit; or
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(B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or their close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or their close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company’s name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the “Registrar of Companies”) within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share
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which is fully paid or credited as fully paid registered in their name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

(i) speak at general meetings of the Company; and

(ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all their votes or cast all the votes used in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company, at any meeting of any class of members, or at any meeting of the creditors of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.
(c) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held within six months after the end of the Company’s financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days’ notice in writing, and any other general meeting of the Company shall be called by at least 14 days’ notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member’s registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be their registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.
(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as their proxy to attend and vote instead of them. A member who is the holder of two or more shares may appoint more than one proxy to represent them and vote on their behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom they act as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which they act as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of their attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to their intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise their discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors’ report and a copy of the auditors’ report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.
The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors’ remuneration shall be fixed by the Company in general meeting or by another body independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote to appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by them to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the
person to whom it is sent and shall be sent at the holder’s or joint holders’ risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money’s worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to them of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong, as amended from time to time).

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the
commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as they deem fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

### 2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### 3 Cayman Islands Company Law

The Company was incorporated in the Cayman Islands as an exempted company on November 19, 2018 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### 3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorized share capital.

#### 3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the
provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.
A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company’s memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders’ suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of a company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company’s memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands’ courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;
APPENDIX III
SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW

(b) all sales and purchases of goods by it; and

c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the “TIA Act”), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the “Tax Concessions Act”), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from December 5, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.
3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;
(b) voluntarily by its members; or
(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members’ voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.
When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on their appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court their view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands’ courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.
3.20 Scheme of arrangement

Following amendments to the Companies Act that became effective on August 31, 2022, the majority-in-number “headcount test” in relation to the approval of members’ schemes of arrangement has been abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value and (b) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which that person is more familiar is recommended to seek independent legal advice.
APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2018. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Association are set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III.

Our registered place of business in Hong Kong is at Unit 310, 3/F, Building 8W, Phase 2, Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong. We have applied to be registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on June 23, 2023. Ms. So Ka Man and Ms. Leung Kwan Wai at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, have been appointed as our authorized representatives for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of our Company

Save as disclosed in the section headed “History, Reorganization and Corporate Structure — [REDACTED] investments”, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

3. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED] of our Shares on the Stock Exchange. See the section headed “History, Reorganization and Corporate Structure – Reorganization” in this Document for information relating to the Reorganization.

4. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this Document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this Document:

(a) Insilico Shanghai

On July 1, 2022, the registered capital of Insilico Shanghai increased from US$10,000,000 to US$20,000,000.

On June 9, 2023, the registered capital of Insilico Shanghai increased from US$20,000,000 to US$56,000,000.

(b) Insilico Suzhou

On December 8, 2021, the registered capital of Insilico Suzhou increased from RMB10,000,000 to RMB100,000,000.

On June 12, 2023, the registered capital of Insilico Suzhou increased from RMB100,000,000 to RMB170,000,000.
On August 5, 2022, Insilico Hong Kong increased its share capital from US$100 to US$101,781,506.6 without allotting new shares.

On February 24, 2023, Insilico Hong Kong increased its share capital from US$101,781,506.6 to US$149,781,506.6 without allotting new shares.

On June 13, 2023, Insilico Hong Kong increased its share capital from US$149,781,506.6 to US$161,181,506.6 without allotting new shares.

On January 14, 2022, the registered capital of Insilico IP increased from US$100 to US$2,500,100.

On September 10, 2021, the registered capital of Mir Pharma increased from US$100 to US$2,100.

On September 14, 2021, the registered capital of Mir Pharma increased from US$2,100 to US$12,100.

On September 15, 2021, the registered capital of Mir Pharma increased from US$12,100 to US$512,100.

On February 4, 2022, the registered capital of Mir Pharma increased from US$512,100 to US$962,100.

On February 5, 2022, the registered capital of Mir Pharma increased from US$962,100 to US$1,007,100.

On February 25, 2022, the registered capital of Mir Pharma increased from US$1,007,100 to US$2,987,100.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this Document.

5. Resolutions of Our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [●], 2023, it [was resolved], among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon [REDACTED];

(b) conditional on (i) the Stock Exchange granting the [REDACTED] of, and permission to deal in, the Shares in issue and to be [REDACTED] as mentioned in this Document; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and the [REDACTED] not being terminated in accordance with the terms therein or otherwise:

• the [REDACTED] and the re-designation and re-classification of each authorized issued and unissued Preferred Share into an Ordinary Share on a one-to-one basis were approved;

• upon completion of the [REDACTED], the re-designation and re-classification of each authorized issued and unissued Preferred Shares into an Ordinary Share on a one-for-one
basis and amendment of share capital from US$635 divided into (i) 905,865,600 Ordinary Shares, (ii) 14,621,660 Series A Preferred Shares, (iii) 84,152,080 Series B Preferred Shares, (iv) 63,558,020 Series C1 Preferred Shares, (v) 125,116,300 Series C2 Preferred Shares, and (vi) 76,686,340 Series D Preferred Shares, with a par value of US$0.00001 each, to US$635 divided into [REDACTED] Ordinary Shares with a nominal or par value of US$[REDACTED] each were approved.

- the [REDACTED] was approved and our Directors were authorized to effect the same, and to allot and issue the [REDACTED] pursuant to the [REDACTED];

- the grant of the [REDACTED] by our Company to the International [REDACTED] to allot and issue up to 15% of the [REDACTED] initially available under the [REDACTED] to cover, among other things, the [REDACTED] in the [REDACTED] was approved;

- the proposed [REDACTED] was approved, and our Directors were authorized to implement such [REDACTED]; and

- all the issued and unissued Preferred Shares be re-designated and re-classified as Ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles;

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders, or upon the exercise of the [REDACTED], or under the [REDACTED] Equity Incentive Plans. This general mandate to issue Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all power of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] (excluding any Shares which may be allotted and issued upon the exercise of the [REDACTED] and excluding any Shares which may be allotted and issued under the [REDACTED] Equity Incentive Plans).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations
the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(e) the general unconditional mandate as mentioned in paragraph (e) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [REDACTED] and excluding any Shares to be allotted and issued under the [REDACTED] Equity Incentive Plans).

6. Restrictions on Repurchase of Our Own Securities

This section sets out information required by the Stock Exchange to be included in this Document concerning the repurchase by us of our own Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders’ Approval. All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of Funds. Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a [REDACTED] company, the laws of the jurisdiction in which the [REDACTED] company is incorporated or otherwise established. A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a [REDACTED] company may be made out of the funds which would otherwise be available for dividend or distribution or out of the [REDACTED] of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases
may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the
net asset value per Share and/or earnings per Share and will only be made where our Directors believe that
such repurchases will benefit us and our Shareholders.

Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance
with the Memorandum of Association and Articles of Association, the Companies Act or other applicable
laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in
this Document and taking into account our current working capital position, our Directors consider that, if
the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working
capital and/or our gearing position as compared with the position disclosed in this Document. However, our
Directors do not propose to exercise the repurchase mandate to such an extent as would, in the
circumstances, have a material adverse effect on our working capital requirements or the gearing levels
which in the opinion of our Directors are from time to time appropriate for us.

General

Exercise in full of the current repurchase mandate, on the basis of [REDACTED] Shares in issue after
completion of the [REDACTED] and the [REDACTED] (without taking into account of the Shares which
may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and
issued under the [REDACTED] Equity Incentive Plans), could accordingly result in up to [REDACTED]
Shares being repurchased by us during the period prior to:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is
required by any applicable law or the Articles of Association to be held; or

(c) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our
Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of
their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our
subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be
applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the
Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws
of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder’s
proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for
the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert
could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with
Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which
would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase
mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present
intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is
exercised.
1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that are or may be material:


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(c) [REDACTED].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our Group’s business:

<table>
<thead>
<tr>
<th>No.</th>
<th>Trademark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>INSILICO MEDICINE</td>
</tr>
<tr>
<td>2</td>
<td>![Trademark Image]</td>
</tr>
<tr>
<td>3</td>
<td>PANDAOMICS</td>
</tr>
<tr>
<td>4</td>
<td>CHEMISTRY42</td>
</tr>
<tr>
<td>5</td>
<td>inClinico</td>
</tr>
<tr>
<td>6</td>
<td>BIOLOGY42</td>
</tr>
<tr>
<td>7</td>
<td>GOLDEN CUBES</td>
</tr>
</tbody>
</table>
APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Domain Names

As of the Latest Practicable Date, the following was the key domain name registration of our Group:

insilico.com

Patents

For a discussion of the details of the material filed patent applications by our Group, please refer to the section headed “Business — Intellectual Property” in this Document.

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group’s business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the Latest Practicable Date and immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and any Shares to be issued under the [REDACTED] Equity Incentive Plans) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our Shares are [REDACTED]:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Nature of Interest</th>
<th>Approximate percentage of shareholding in the total issued share capital of our Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Alex Zhavoronkov, Ph.D.</td>
<td>Chairman of the Board, executive Director and CEO</td>
<td>Beneficial owner</td>
<td>2,129,175</td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D.(1)</td>
<td>Executive Director, co-CEO and Chief Scientific Officer</td>
<td>Beneficial owner</td>
<td>250,391</td>
</tr>
</tbody>
</table>
APPENDIX IV
STATUTORY AND GENERAL INFORMATION

Notes:

(1) Assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Equity Incentive Plans and assuming all Preferred Shares are converted into Ordinary Shares on 1:1 basis, the number of Shares held as of the Latest Practicable Date is subject to adjustments as a result of the [REDACTED].

(2) As of the Latest Practicable Date, Mr. Feng Ren, Ph.D. held 23,770 Shares and were granted 186,621 option and 40,000 restricted share units by our Company, upon the exercise or vesting, respectively, of which the same number of Shares will be issued to him.

2. Interests of the substantial shareholders in the Shares and underlying Shares of our Company

Save as disclosed in the section headed “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued under the [REDACTED] Equity Incentive Plan, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company and any other member of our Group.

3. Directors’ Service Contracts and Letters of Appointment

Each of Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D., being our executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [REDACTED], which may be terminated by not less than 30 days’ notice in writing served by either the executive Director or our Company.

Each of Mr. Min Fang and Mr. Kan Chen, Ph.D., being our non-executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [REDACTED], which may be terminated by not less than 30 days’ notice in writing served by either the non-executive Director or our Company.

Each of Mr. Jingsong Wang, Ph.D., Ms. Denitsa Milanova, Ph.D. and Mr. Roman Kyrychynskyi, being our independent non-executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [REDACTED], which may be terminated by not less than 30 days’ notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Director’s Remuneration

Save as disclosed in “Directors and Senior Management” and note 13 to the Accountants’ Report in Appendix I for the two financial years ended December 31, 2021 and 2022, none of our Directors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
(b) none of the Directors or the experts named in the section headed “— Other Information — Qualifications and consents of experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and issued under the [REDACTED] Equity Incentive Plans], so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [REDACTED] thereon.

(g) there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

(h) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

[REDACTED] EQUITY INCENTIVE PLANS

Our Company adopted the [REDACTED] Equity Incentive Plans, which included;

(i) 2019 Share Plan (as amended and restated on December 31, 2019) adopted on March 15, 2019;

(ii) 2019 Equity Incentive Plan adopted on December 31, 2019;

(iii) 2021 Equity Incentive Plan adopted on June 30, 2021; and

(iv) 2022 Equity Incentive Plan adopted on November 25, 2022.
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The terms of the [REDACTED] Equity Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules, given none of them involves any grant of options or awards by our Company after the [REDACTED].

Details of the terms of the [REDACTED] Equity Incentive Plans are set out below:

1. 2019 Share Plan

(i) **Purpose** – To advance the interest of our Group and our Shareholders by providing an incentive to attract, retain and reward persons performing services for our Group and by motivating such persons to contribute to the growth and profitability of our Group.

(ii) **Participants** – Employees, consultants and Directors.

(iii) **Administration** – Administered by the Board, with all questions of interpretation of the 2019 Share Plan, of any award agreement or of any other form of agreement or other document employed by the Company in the administration of the 2019 Share Plan, or of any award determined by the Board.

(iv) **Grant of Options** – Options shall be evidenced by award agreements specifying the number of Shares covered thereby, in such form as the Board shall establish. Such award agreements may incorporate all or any of the terms of the 2019 Share Plan by reference and shall comply with and be subject to the following terms and conditions.

(v) **Option Period** – Options shall be exercisable at such times, or upon the occurrence of such events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the award agreement evidencing such option; provided, however, that (a) no option shall be exercisable after the expiration of 10 years after the effective date of grant of such option, (b) no incentive share option (as defined in the 2019 Share Plan) granted to a 10% Shareholder shall be exercisable after the expiration of five years after the effective date of grant of such option, and (c) no option granted to an employee who is a non-exempt employee for purposes of the relevant laws and regulations, as amended, shall be first exercisable until at least six months following the date of grant of such option (except in the event of such employee’s death, disability or retirement, upon a change in control, or as otherwise permitted by the relevant laws and regulations). Subject to the above, unless otherwise specified by the Board in the grant of an option, each option shall terminate ten years after the effective date of grant of the option, unless earlier terminated in accordance with its provisions.

(vi) **Exercise Price** – The exercise price for each option shall be established in the discretion of the Board, subject to certain limitations under the 2019 Share Plan.

(vii) **Exercise of Options** – Options shall be exercisable at such times, or upon the occurrence of such events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the award agreement evidencing such option, subject to certain limitations under the 2019 Share Plan.

(viii) **Transferability** – During the lifetime of the participant, an option shall be exercisable only by the participant or the participant’s guardian or legal representative. An option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the participant or the participant’s beneficiary, except transfer by will or by the laws of descent and distribution, save for certain exceptions as provided under the 2019 Share Plan.
APPENDIX IV  STATUTORY AND GENERAL INFORMATION

(ix) **Maximum Number of Shares subject to the 2019 Share Plan** – The maximum number of Shares underlying the options or other awards granted under the 2019 Share Plan shall be 1,192,423 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]).

2. **2019 Equity Incentive Plan**

(i) **Purpose** – To promote the success of our Company and the interests of our Shareholders by providing a means through which our Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultants and other eligible persons and to further link the interests of award recipients with those of our Shareholders generally.

(ii) **Participants** – Any person who qualifies as one of the following at the time of grant of the respective award: (a) an officer (whether or not a director) or employee of our Company or any of our Affiliates; (b) any member of the Board; or (c) any director of one of our Company’s affiliates, or any individual consultant or advisor who renders or has rendered bona fide services to our Company or one of our affiliates.

(iii) **Administration** – Administered by the Board, or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the 2019 Equity Incentive Plan.

(iv) **Grant of Options** – Options shall be evidenced by an award agreement in the form approved by the administrator. The award agreement evidencing an option shall contain the terms established by the administrator for that award and any other terms, provisions, or restrictions that the administrator may impose on the option or any Ordinary Shares subject to the option, in each case subject to the applicable provisions and limitations of the 2019 Equity Incentive Plan.

(v) **Option Period** – Each option shall expire not more than 10 years after its date of grant.

(vi) **Exercise Price** – The administrator will determine the purchase price per share of the ordinary Shares covered by each option (the “exercise price” of the option) at the time of the grant of the option, which exercise price will be set forth in the applicable award agreement. In no case will the exercise price of an option be less than the greatest of: (a) the par value of an Ordinary Share; (b) subject to clause (c) below, 100% of the fair market value of an Ordinary Share on the date of grant; or (c) in the case of an incentive stock option granted to a participant, 110% of the fair market value of an ordinary Share on the date of grant.

(vii) **Transferability** – Unless otherwise expressly provided under the 2019 Equity Incentive Plan, by applicable law and by the award agreement, (a) all options are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) options will be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to an option will be delivered only to (or for the account of), and, in the case of ordinary Shares, registered in the name of, the participant.

(viii) **Maximum Number of Shares subject to the 2019 Equity Incentive Plan** – The maximum number of Shares underlying the options or other awards granted under the 2019 Equity Incentive Plan shall be 540,484 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]).

3. **2021 Equity Incentive Plan**

(i) **Purpose** – To attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company’s business.
APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) Participants – Employees, directors and consultants.

(iii) Administration – Administered by (a) the Board or (b) a committee, which committee will be constituted to satisfy the applicable articles of association and applicable laws.

(iv) Grant of Options – Each award of an option will be evidenced by an award agreement that will specify the exercise price, the term of the option, the number of Shares subject to the option, the exercise restrictions, if any, applicable to the option, and such other terms and conditions as the administrator, in its sole discretion, will determine.

(v) Option Period – The term of each option will be stated in the award agreement; provided, however, that the term will be no more than ten years from the date of grant thereof, subject to restrictions under the 2021 Equity Incentive Plan.

(vi) Exercise Price – The per Share exercise price for the Shares to be issued pursuant to the exercise of an option will be determined by the administrator, but will be no less than 100% of the fair market value per Share on the date of grant save for exceptions provided in the 2021 Equity Incentive Plan.

(vii) Grant of RSUs – RSUs may be granted at any time and from time to time as determined by the administrator. After the administrator determines that it will grant RSUs, it will advise the participant in an award agreement of the terms, conditions, and restrictions related to the grant, including the number of RSUs. The administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the participant. The administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion.

(viii) Maximum Number of Shares subject to the 2021 Equity Incentive Plan – The maximum number of Shares underlying the options or other awards granted under the 2021 Equity Incentive Plan shall be 700,867 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]).

4. 2022 Equity Incentive Plan

(i) Purpose – To attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company’s business.

(ii) Participants – Employees, directors and consultants.

(iii) Administration – Administered by (a) the Board or (b) a committee, which committee will be constituted to satisfy the applicable articles of association and applicable laws.

(iv) Grant of Options – Each award of an option will be evidenced by an award agreement that will specify the exercise price, the term of the option, the number of Shares subject to the option, the exercise restrictions, if any, applicable to the option, and such other terms and conditions as the administrator, in its sole discretion, will determine.

(v) Option Period – The term of each option will be stated in the award agreement; provided, however, that the term will be no more than ten years from the date of grant thereof. In the case of an incentive share option granted to a participant who, at the time the incentive share option is granted, owns Shares representing more than 10% of the total combined voting power of all classes of Shares of the Company or any parent, subsidiary or affiliate, the term of the incentive share option will be five years from the date of grant or such shorter term as may be provided in the award agreement.
(vi) **Exercise Price** – The per Share exercise price for the Shares to be issued pursuant to the exercise of an option will be determined by the administrator, but will be no less than 100% of the fair market value per Share on the date of grant save for exceptions provided in the 2022 Equity Incentive Plan.

(vii) **Maximum Number of Shares subject to the 2022 Equity Incentive Plan** – The maximum number of Shares underlying the options or other awards granted under the 2022 Equity Incentive Plan shall be 360,000 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]).

5. **Outstanding Grants under the [REDACTED] Equity Incentive Plans**

(i) **Options**

As of the Latest Practicable Date, outstanding options to subscribe for an aggregate of 1,764,886 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) have been granted by our Company under the [REDACTED] Equity Incentive Plans, representing 8.56% of the total issued Shares of our Company immediately before the [REDACTED] and the [REDACTED] and [REDACTED]% immediately after the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into any Shares to be issued pursuant to the [REDACTED] Equity Incentive Plans). As of the Latest Practicable Date, none of such outstanding options granted under the [REDACTED] Equity Incentive Plans have been exercised. The Company will not grant further options under the [REDACTED] Equity Incentive Plans after the [REDACTED].
APPENDIX IV  STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, the grantees of outstanding Options under the [REDACTED] Equity Incentive Plans include one Director, five members of the senior management, one connected person and 65 other grantees under the [REDACTED] Equity Incentive Plans. Details of the outstanding options granted under the [REDACTED] Equity Incentive Plans as of the Latest Practicable Date are set out below:

<table>
<thead>
<tr>
<th>Name of Grantee</th>
<th>Position held at our Group</th>
<th>Address</th>
<th>Exercise price as adjusted after the [REDACTED] (US$ per Share)</th>
<th>Number of Shares underlying the options granted as adjusted after the [REDACTED]</th>
<th>Date of grant</th>
<th>Vesting period</th>
<th>Approximate shareholding percentage immediately following the [REDACTED] and the [REDACTED]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Director</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Feng Ren, Ph.D. .</td>
<td>Executive Director, Co-CEO, Chief Scientific Officer</td>
<td>Room 601, Building 1, Lane 219 Jinan East Road, Pudong, Shanghai, China</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>February 14, 2021 and February 21, 2022</td>
<td>Note 1</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td><strong>Senior Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Aleksandr Aliper, Ph.D .</td>
<td>President</td>
<td>Unit 103, Mayan 1, Yas Island, Abu Dhabi</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>April 4, 2014, September 1, 2016, May 18, 2018, April 18, 2020 and April 26, 2021</td>
<td>Note 2</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Ms. Jun Wang .</td>
<td>General Counsel and Board Secretary</td>
<td>208 Jull Road, Pudong New District, Shanghai China</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>September 23, 2020 and April 26, 2021</td>
<td>Note 3</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Ms. Michelle Chen, Ph.D .</td>
<td>Chief Business Officer</td>
<td>301 Barclay Court, Palo Alto, CA 94306, United States of America</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>November 15, 2021 and April 6, 2023</td>
<td>Note 4</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Mr. Nirav Jhaveri</td>
<td>Chief Financial Officer</td>
<td>805 Waverly Avenue, Neptune City, NJ 07753, United States of America</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>November 15, 2021</td>
<td>Note 5</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td>Dr. Sujata Rao .</td>
<td>Chief Medical Officer</td>
<td>2823 NW 66th Street, Seattle, WA 98117-6234, United States of America</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>April 6, 2023</td>
<td>Note 6</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td><strong>Connected Persons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Yen-chu Lin, Ph.D .</td>
<td>Director of Insilico Taiwan</td>
<td>3F, No. 25, Lane 120 Zhong 3rd Street, Xizhi District, New Taipei City, Taiwan, China</td>
<td>[REDACTED]</td>
<td>[REDACTED]</td>
<td>April 18, 2020, April 18, 2021, and November 15, 2021</td>
<td>Note 7</td>
<td>[REDACTED]%</td>
</tr>
<tr>
<td><strong>65 Other Grantees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In respect of the outstanding options granted under the [REDACTED] Equity Incentive Plans, we have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with
the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See “Waivers and Exemptions” for details.

Notes:

1. The vesting schedules for these grants are: (i) vested upon one-year anniversary of the on-boarding date; and (ii) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

2. The vesting schedules for these grants are: (i) fully vested; (ii) 1/10 to be vested every year from the vesting commencement date; (iii) 1/36 to be vested every month from the vesting commencement date; (iv) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter; and (v) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

3. The vesting schedules for all three grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

4. The vesting schedules for both grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

5. The vesting schedule for this grant is 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

6. The vesting schedule for this grant is 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

7. The vesting schedules for all three grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

8. The exercise prices as adjusted after the [REDACTED] for other grantees range from US$[REDACTED] to US$[REDACTED].

9. The dates of grant for other grantees range from April 28, 2014 to April 6, 2023.

10. The vesting schedules for other grantees are: (i) fully vested; (ii) 1/3 to be vested every year from the vesting commencement date; (iii) 1/4 to be vested every year from the vesting commencement date; (iv) 1/5 to be vested every year from the vesting commencement date; (v) 1/5 to be vested one year from the vesting commencement date and 1/60 to be vested every month thereafter; (vi) 1/6 to be vested every year from the vesting commencement date; (vii) 1/3 to be vested one year from the vesting commencement date and 1/36 to be vested every month thereafter; (viii) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(ii) RSUs

As of the Latest Practicable Date, 40,000 RSUs have been granted by our Company under the [REDACTED] Equity Incentive Plans, corresponding to 40,000 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) and representing [REDACTED]% of the total issued Shares of our Company immediately before the [REDACTED] and the [REDACTED] and [REDACTED]% immediately after the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into any Shares to be issued pursuant to the [REDACTED] Equity Incentive Plans). As of the Latest Practicable Date, none of the RSUs granted under the [REDACTED] Equity Incentive Plans have been vested. The Company will not grant further RSUs under the [REDACTED] Equity Incentive Plans after the [REDACTED].
As of the Latest Practicable Date, there is only one grantee of unvested RSUs under the [REDACTED] Equity Incentive Plans. Details of such unvested RSUs as of the Latest Practicable Date are set out below:

<table>
<thead>
<tr>
<th>Name of Grantee</th>
<th>Position held at our Group</th>
<th>Address</th>
<th>Price (as adjusted after the [REDACTED]) (US$ per Share)</th>
<th>Number of Shares underlying the RSUs granted</th>
<th>Date of grant</th>
<th>Vesting period</th>
<th>Approximate shareholding percentage immediately following the [REDACTED] and the [REDACTED]%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Feng Ren, Ph.D. . . .</td>
<td>Executive Director, co-CEO, Chief Scientific Officer</td>
<td>Room 601, Building 1, Lane 219 Jinan East Road Pudong, Shanghai China</td>
<td>[REDACTED]</td>
<td>800,000</td>
<td>November 25, 2022</td>
<td>Note 1</td>
<td>[REDACTED]</td>
</tr>
</tbody>
</table>

Note:
1. The vesting period for this RSU is 1/3 to be vested on the day of the [REDACTED] after the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 to be vested in 24 equal monthly installments from the [REDACTED] date.

(iii) Dilution Effect and Impact on Earnings per Share

As of the Latest Practicable Date, there are 1,764,886 outstanding options and 40,000 unvested RSUs granted under the [REDACTED] Equity Incentive Plans, amounting to a total of [REDACTED] underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) which may be issued to the grantees representing [REDACTED]% of the total issued Shares of our Company immediately after the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into any Shares to be issued pursuant to the [REDACTED] Equity Incentive Plans). No further grant will be made pursuant to the [REDACTED] Equity Incentive Plans after the [REDACTED].

Assuming the full exercise of the options granted and vesting of the RSUs granted prior to the [REDACTED], the shareholding of our Shareholders immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised) will be diluted by approximately [REDACTED]%. The consequent impact on the earnings per ordinary Share for the years ended December 31, 2021 and 2022 is [REDACTED] and [REDACTED], respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

Application has been made to the Stock Exchange for the [REDACTED] of and permission to deal in the [REDACTED] Shares (as adjusted after the [REDACTED]) which will be allotted and issued upon the exercise of the outstanding options and vesting of RSUs granted under the [REDACTED] Equity Incentive Plans.

OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of the Company.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.
3. Joint Sponsors

The Joint Sponsors both satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as the sponsor for the [REDACTED].

The Joint Sponsors have made an application on our Company’s behalf to the Stock Exchange for the granting of the approval for the [REDACTED] of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this Document. All necessary arrangements have been made for the Shares to be admitted into [REDACTED].

4. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Promoter

Our Company has no promoter for the purpose of the [REDACTED]. Within the two years preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this Document.

7. Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from [REDACTED] in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares save for those which hold interests in land in the Cayman Islands.

Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or [REDACTED] in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or [REDACTED] in Shares or exercise of any rights attaching to them.
### 8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Document:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley Asia Limited</td>
<td>A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO</td>
</tr>
<tr>
<td>China International Capital Corporation Hong Kong Securities Limited</td>
<td>A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO</td>
</tr>
<tr>
<td>Jingtian &amp; Gongcheng</td>
<td>Legal advisers to our Company as to PRC law</td>
</tr>
<tr>
<td>Walkers (Hong Kong)</td>
<td>Legal advisers to our Company as to Cayman Islands law</td>
</tr>
<tr>
<td>Deloitte Touche Tohamatsu</td>
<td>Certified Public Accountants</td>
</tr>
<tr>
<td>Frost &amp; Sullivan (Beijing) Co., Shanghai Branch</td>
<td>Registered Public Interest Entity Auditor</td>
</tr>
</tbody>
</table>

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

### 9. Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### 10. Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

### 11. Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) none of our Directors or experts referred to in the paragraph headed “Other Information — Qualifications and consents of experts” in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(e) none of our Directors or experts referred to in the paragraph headed “Other Information — Qualifications and consents of experts” in this section is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(f) none of the equity and debt securities of the Company is listed or dealt in on any stock exchange (other than the Stock Exchange) nor is any listing or permission to deal being or proposed to be sought;

(g) the Group has no outstanding convertible debt securities or debentures;

(h) within the two years preceding the date of this Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(i) within the two years preceding the date of this Document, no commission has been paid or is payable (except [REDACTED] to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(j) there is no arrangement under which future dividends are waived or agreed to be waived; and

(k) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document.
APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the [REDACTED];

(b) the written consents referred to in the section headed “Statutory and General Information — Other information — Qualifications and Consent of Experts” in Appendix IV to this Document; and

(c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further Information about our Business — Summary of Material Contracts” in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company’s website (insilico.com) and the Stock Exchange’s website (https://www.hkexnews.hk) up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2021 and 2022;

(c) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Document;

(d) the report on [REDACTED] from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Walkers (Hong Kong), our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;

(g) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview”;

(h) the material contracts referred to in the section entitled “Statutory and General Information — Further Information about Our Business — Summary of Material Contracts” in Appendix IV to this Document;

(i) the written consents referred to in the section entitled “Statutory and General Information — Other Information — Qualifications and Consents of Experts” in Appendix IV to this Document;

(j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and general information — Further information about our Directors, Chief Executives and Substantial Shareholders — Director’s Service Contracts and Letters of Appointment” in Appendix IV to this Document;
(k) the 2019 Share Plan;

(l) the 2019 Equity Incentive Plan;

(m) the 2021 Equity Incentive Plan;

(n) the 2022 Equity Incentive Plan; and

(o) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees of all options under the [REDACTED] Equity Incentive Plans, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document.